

Singapore Exchange Securities Trading Limited, Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CHINA EVERBRIGHT WATER LIMITED

中國光大水務有限公司

(Incorporated in Bermuda with limited liability)

(Hong Kong Stock Code: 1857)

(Singapore Stock Code: U9E)

Unaudited Financial Results for the First Quarter Ended 31 March 2019

This announcement is issued by China Everbright Water Limited (the “Company”) pursuant to Rule 13.09 (2)(a) and Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “HKEX Listing Rules”) and the Inside Information Provisions (as defined in the HKEX Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”).

This results announcement is made in accordance with Rule 705(2) of the listing manual of Singapore Exchange Securities Trading Limited (the “SGX Listing Manual”). This results announcement contains financial information based on International Financial Reporting Standards and have not been reviewed or audited by the auditor of the Company. Shareholders and public investors are advised to exercise caution when trading in the securities of the Company.

Confirmation by the Board Pursuant to Rule 705(5) of the SGX Listing Manual

I, An Xuesong, do hereby confirm on behalf of the board of directors of the Company (the “Board”) that to the best of our knowledge, nothing has come to the attention of the Board which may render the unaudited financial results for the first quarter ended 31 March 2019 to be false or misleading in any material aspect.

By Order of the Board
China Everbright Water Limited
An Xuesong

Executive Director and Chief Executive Officer

Hong Kong, 15 May 2019

As at the date of this announcement, the Board comprises: (i) a non-executive director, Mr. Wang Tianyi (Chairman); (ii) two executive directors, namely Mr. An Xuesong (Chief Executive Officer) and Mr. Luo Junling; and (iii) four independent non-executive directors, namely Mr. Zhai Haitao, Mr. Lim Yu Neng Paul, Ms. Cheng Fong Yee and Ms. Hao Gang.

The Board announces the unaudited financial results of the Company and its subsidiaries (collectively, the “Group”) for the first quarter ended 31 March 2019 (“1QFY2019”).

1(a) A statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group		Increase/ (decrease)
	1QFY2019	1QFY2018	%
	<i>HKD'000</i>	<i>HKD'000</i>	
Revenue	1,313,458	1,041,107	26%
Direct costs and operating expenses	(887,039)	(679,500)	31%
Gross profit	426,419	361,607	18%
Other income and gains, net	25,486	34,431	(26%)
Administrative and other operating expenses	(74,725)	(58,199)	28%
Finance income	4,213	6,306	(33%)
Finance costs	(90,750)	(64,621)	40%
Share of profits of associates	1,245	723	72%
Profit before tax	291,888	280,247	4%
Income tax	(79,022)	(89,140)	(11%)
Profit for the period	212,866	191,107	11%
Attributable to:			
Equity holders of the Company	206,351	178,119	16%
Non-controlling interests	6,515	12,988	(50%)
	212,866	191,107	11%

	Group		Increase/ (decrease)
	1QFY2019	1QFY2018	%
	<i>HKD'000</i>	<i>HKD'000</i>	
Profit for the period	<u>212,866</u>	<u>191,107</u>	11%
Other comprehensive income			
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>			
– Exchange differences on translation of foreign operations	38,575	14,177	172%
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</i>			
– Exchange differences on translation of the Company's financial statements into the presentation currency	<u>271,128</u>	<u>447,688</u>	(39%)
Other comprehensive income for the period, net of income tax	<u>309,703</u>	<u>461,865</u>	(33%)
Total comprehensive income for the period	<u>522,569</u>	<u>652,972</u>	(20%)
Attributable to:			
Equity holders of the Company	497,406	612,022	(19%)
Non-controlling interests	<u>25,163</u>	<u>40,950</u>	(39%)
	<u>522,569</u>	<u>652,972</u>	(20%)

Profit before tax are derived after charging the following items:

	Group		Increase/ (decrease)
	1QFY2019	1QFY2018	%
	<i>HKD'000</i>	<i>HKD'000</i>	
Depreciation of property, plant and equipment	4,199	4,671	(10%)
Amortisation of prepaid land lease payments	87	92	(5%)
Amortisation of intangible assets	18,659	20,991	(11%)
Interest expenses on bank and other loans and corporate bonds	90,750	64,621	40%

1(b)(i) **Statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year**

	Group		Company	
	31 March 2019 HKD'000	31 December 2018 HKD'000	31 March 2019 HKD'000	31 December 2018 HKD'000
Non-current assets				
Property, plant and equipment	151,855	144,779	17	18
Prepaid land lease payments	5,433	5,372	–	–
	157,288	150,151	17	18
Goodwill	1,277,019	1,242,713	–	–
Intangible assets	1,670,890	1,536,169	–	–
Interests in subsidiaries	–	–	10,829,200	10,741,587
Interests in associates	4,338	3,011	–	–
Contract assets	12,770,663	11,727,822	–	–
Trade and other receivables	179,553	159,259	–	–
Total non-current assets	16,059,751	14,819,125	10,829,217	10,741,605
Current assets				
Inventories	84,009	40,436	–	–
Contract assets	1,298,272	1,424,161	–	–
Trade and other receivables	1,207,523	1,025,044	4,537,237	3,663,426
Fixed deposits with maturity period over three months	256,515	547,050	–	–
Cash and cash equivalents	2,217,861	1,728,573	8,498	31,661
Total current assets	5,064,180	4,765,264	4,545,735	3,695,087

	Group		Company	
	31 March 2019	31 December 2018	31 March 2019	31 December 2018
	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>
Current liabilities				
Trade and other payables	1,949,619	1,895,095	115,350	102,001
Borrowings	1,480,157	2,160,400	952,556	1,053,319
Tax payable	65,096	45,083	–	–
Total current liabilities	3,494,872	4,100,578	1,067,906	1,155,320
Net current assets	1,569,308	664,686	3,477,829	2,539,767
Total assets less current liabilities	17,629,059	15,483,811	14,307,046	13,281,372
Non-current liabilities				
Borrowings	6,998,578	5,440,376	4,324,690	3,511,586
Deferred tax liabilities	1,444,215	1,379,738	–	–
Total non-current liabilities	8,442,793	6,820,114	4,324,690	3,511,586
Net assets	9,186,266	8,663,697	9,982,356	9,769,786
Equity				
Equity attributable to equity holders of the Company				
Share capital	2,676,062	2,676,062	2,676,062	2,676,062
Reserves	5,804,534	5,307,128	7,306,294	7,093,724
	8,480,596	7,983,190	9,982,356	9,769,786
Non-controlling interests	705,670	680,507	–	–
Total equity	9,186,266	8,663,697	9,982,356	9,769,786

1(b)(ii) In relation to the aggregate amount of group's borrowings and debt securities, please specify the following at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year:

(i) Amounts payable within one year or less, or on demand

As at 31 March 2019		As at 31 December 2018	
Secured	Unsecured	Secured	Unsecured
<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>
483,444	996,713	1,062,132	1,098,268

(ii) Amounts payable after one year

As at 31 March 2019		As at 31 December 2018	
Secured	Unsecured	Secured	Unsecured
<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>
1,430,870	5,567,708	1,453,818	3,986,558

Details of collateral

The secured borrowings of the Group as at 31 March 2019 and 31 December 2018 were secured by certain revenue, contract assets, receivables and intangible assets in connection with the Group's service concession arrangements, and bank balances of the Group.

1(c) Statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	1QFY2019	1QFY2018
	<i>HKD'000</i>	<i>HKD'000</i>
Cash flows from operating activities		
Profit before tax	291,888	280,247
Adjustments for:		
Depreciation of property, plant and equipment	4,199	4,671
Amortisation of prepaid land lease payments	87	92
Amortisation of intangible assets	18,659	20,991
Finance costs	90,750	64,621
Interest income	(4,213)	(6,306)
Share of profits of associates	(1,245)	(723)
Provision for impairment of trade receivables	1,887	–
Effect of foreign exchange rates changes, net	(9,800)	(10,307)
Operating cash flows before working capital changes	392,212	353,286
Changes in working capital:		
Increase in inventories	(41,990)	(23,364)
Increase in contract assets	(545,125)	(324,891)
Increase in trade and other receivables	(165,795)	(360,507)
Decrease in trade and other payables	(20,480)	(348,607)
Cash used in operations	(381,178)	(704,083)
People's Republic of China ("PRC") income tax paid	(34,374)	(42,209)
Net cash flows used in operating activities	(415,552)	(746,292)
Cash flows from investing activities		
Purchase of items of property, plant and equipment	(7,256)	(3,039)
Payment for additions of intangible assets	(105,330)	(25,547)
Increase in amounts due from an associate	(4,209)	(7,607)
Decrease in fixed deposits with maturity period over three months and restricted balances in financial institutions	235,467	134,258
Interest received	4,213	6,306
Net cash flows from investing activities	122,885	104,371

	1QFY2019 <i>HKD'000</i>	1QFY2018 <i>HKD'000</i>
Cash flows from financing activities		
Increase in amounts due to		
intermediate holding companies	–	4
Increase in amounts due to fellow subsidiaries	–	3
Proceeds from the issuance of corporate bonds, net of related expenses paid	804,235	–
New bank loans	1,088,785	421,076
Repayments of bank and other loans	(1,149,564)	(461,326)
Increase in pledged bank deposits	(9)	–
Contribution from a non-controlling shareholder of a subsidiary	–	192
Interest paid	(67,426)	(61,554)
Net cash flows from/(used in) financing activities	<u>676,021</u>	<u>(101,605)</u>
Net increase/(decrease) in cash and cash equivalents	383,354	(743,526)
Cash and cash equivalents at beginning of the period	1,706,871	2,074,414
Effect of exchange rate fluctuations on cash and cash equivalents, net	<u>46,946</u>	<u>79,642</u>
Cash and cash equivalents at end of the period	<u>2,137,171</u>	<u>1,410,530</u>

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issued and distributions to shareholders, together with a comparative statement for the corresponding period of the immediate preceding financial year

	Attributable to equity holders of the Company									
	Share capital HKD'000	Share premium HKD'000	Foreign currency translation reserve HKD'000	Statutory reserve HKD'000	Contributed surplus reserve HKD'000	Other reserves HKD'000	Retained earnings HKD'000	Total HKD'000	Non- controlling interests HKD'000	Total equity HKD'000
Group										
At 1 January 2019	2,676,062	1,333,181	(502,623)	300,386	1,229,302	(2,181)	2,949,063	7,983,190	680,507	8,663,697
Profit for the period	-	-	-	-	-	-	206,351	206,351	6,515	212,866
Foreign currency translation differences	-	-	291,055	-	-	-	-	291,055	18,648	309,703
At 31 March 2019	<u>2,676,062</u>	<u>1,333,181</u>	<u>(211,568)</u>	<u>300,386</u>	<u>1,229,302</u>	<u>(2,181)</u>	<u>3,155,414</u>	<u>8,480,596</u>	<u>705,670</u>	<u>9,186,266</u>
At 1 January 2018										
Originally stated	2,625,642	1,266,248	(22,051)	200,799	1,229,302	(2,181)	2,559,424	7,857,183	684,622	8,541,805
Effect of adoption of International Financial Reporting Standard 9	-	-	-	-	-	-	(35,669)	(35,669)	-	(35,669)
As restated	2,625,642	1,266,248	(22,051)	200,799	1,229,302	(2,181)	2,523,755	7,821,514	684,622	8,506,136
Profit for the period	-	-	-	-	-	-	178,119	178,119	12,988	191,107
Foreign currency translation differences	-	-	433,903	-	-	-	-	433,903	27,962	461,865
Capital contribution from a non- controlling shareholder	-	-	-	-	-	-	-	-	192	192
At 31 March 2018	<u>2,625,642</u>	<u>1,266,248</u>	<u>411,852</u>	<u>200,799</u>	<u>1,229,302</u>	<u>(2,181)</u>	<u>2,701,874</u>	<u>8,433,536</u>	<u>725,764</u>	<u>9,159,300</u>
Company										
At 1 January 2019	2,676,062	123,131	(934,538)	-	7,639,082	64,953	201,096	9,769,786	-	9,769,786
Loss for the period	-	-	-	-	-	-	(58,558)	(58,558)	-	(58,558)
Foreign currency translation differences	-	-	271,128	-	-	-	-	271,128	-	271,128
At 31 March 2019	<u>2,676,062</u>	<u>123,131</u>	<u>(663,410)</u>	<u>-</u>	<u>7,639,082</u>	<u>64,953</u>	<u>138,372</u>	<u>9,982,356</u>	<u>-</u>	<u>9,982,356</u>
At 1 January 2018	2,625,642	56,198	(492,810)	-	7,639,082	64,953	79,382	9,972,447	-	9,972,447
Loss for the period	-	-	-	-	-	-	(45,363)	(45,363)	-	(45,363)
Foreign currency translation differences	-	-	447,688	-	-	-	-	447,688	-	447,688
At 31 March 2018	<u>2,625,642</u>	<u>56,198</u>	<u>(45,122)</u>	<u>-</u>	<u>7,639,082</u>	<u>64,953</u>	<u>34,019</u>	<u>10,374,772</u>	<u>-</u>	<u>10,374,772</u>

1(d)(ii) Details of any changes in the Company’s share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the immediately preceding financial year reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

There was no change in the Company’s share capital during 1QFY2019. The Company allotted and issued 103,970,000 shares in its share capital on 7 and 8 May 2019 pursuant to the Global Offering (as defined below).

The Company did not have any outstanding convertibles, preference shares and treasury shares as at 31 March 2019 and 31 March 2018.

1(d)(iii) The total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding financial year

	31 March 2019	31 December 2018
Total number of issued shares excluding treasury shares ('000)	<u>2,676,062</u>	<u>2,676,062</u>

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the Company’s auditor.

3. Where the figures have been audited, or reviewed, the auditors’ report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer’s most recently audited annual financial statements have been applied.

Except as disclosed in note 5, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of the audited financial statements for the financial year ended 31 December 2018.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group adopted the new and revised International Financial Reporting Standards (“IFRS”) and Interpretations of IFRS (“INT IFRS”) that are effective for annual periods beginning on or after 1 January 2019. The adoption of the above IFRS and INT IFRS did not have any significant impact on the financial statements of the Group.

6. Earnings per share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

Basic/diluted earnings per share	1QFY2019	1QFY2018
Profit attributable to equity holders of the Company (HKD’000)	206,351	178,119
Weighted average number of ordinary shares in issue (’000)	2,676,062	2,625,642
Basic/diluted earnings per share (HKD)	<u>0.077</u>	<u>0.068</u>

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current financial period reported on; and (b) immediately preceding financial year.

	Group		Company	
	31 March 2019 HKD	31 December 2018 HKD	31 March 2019 HKD	31 December 2018 HKD
Net asset value per ordinary share based on the issued share capital as at the end of the respective period	<u>3.17</u>	<u>2.98</u>	<u>3.73</u>	<u>3.65</u>

Net asset value per ordinary share was calculated by the net asset value attributable to equity holders of the Company divided by the number of ordinary shares outstanding excluding treasury shares as at the end of the respective financial period.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Overview

In 1QFY2019, the revenue of the Group increased by 26% to HKD1,313.46 million compared with the revenue of HKD1,041.11 million in 1QFY2018. Gross profit of the Group increased from HKD361.61 million in 1QFY2018 to HKD426.42 million in 1QFY2019, representing an increase of 18%. The profit of the Group increased from HKD191.11 million in 1QFY2018 to HKD212.87 million in 1QFY2019, representing a rise of 11%. The profit attributable to equity holders of the Company in 1QFY2019 amounted to HKD206.35 million, which increased by 16% over 1QFY2018.

Consolidated Statement of Comprehensive Income

Revenue

Revenue increased by 26% from HKD1,041.11 million in 1QFY2018 to HKD1,313.46 million in 1QFY2019. The increase was mainly attributable to the increase of HKD205.25 million in construction revenue, HKD49.50 million in operation revenue and HKD17.60 million in finance income. The increase in construction revenue was mainly attributable to construction of several water environment treatment projects and the water supply projects in addition to the expansion and upgrading of several waste water treatment plants which were under construction during 1QFY2019. The increase in operation revenue was the result of (i) commencement of operation of new projects during the remaining period of FY2018 and 1QFY2019; and (ii) tariff hikes for several projects effected during the remaining period of FY2018 and 1QFY2019. The increase in finance income was due to the increase in contract assets.

Direct costs and operating expenses

Direct costs and operating expenses increased by 31% from HKD679.50 million in 1QFY2018 to HKD887.04 million in 1QFY2019. The increase was mainly due to the increase in construction cost arising from the increased construction services, which contributed to a construction revenue of HKD767.60 million in 1QFY2019 as compared to HKD562.35 million in 1QFY2018.

Gross profit margin

Overall gross profit margin in 1QFY2019 decreased to 32% (1QFY2018: 35%). It was mainly due to a slightly larger portion of construction revenue recognised in the mix of the total revenue of 1QFY2019 as compared to 1QFY2018. Construction revenue comprised approximately 58% of total revenue in 1QFY2019 (1QFY2018: 54%). In general, construction services have a lower gross profit margin than operation services, and thus a larger (smaller) portion of construction revenue will reduce (increase) the overall gross profit margin.

Other income and gains, net

Other income and gains, net decreased by 26% to HKD25.49 million in 1QFY2019 as compared with HKD34.43 million in 1QFY2018. Other income and gains, net mainly consisted of value-added tax (“VAT”) refund, government grants and other sundry income. The decrease in other income and gains, net was mainly due to the decrease of VAT refund. The decrease in VAT refund was the result of less VAT paid during the period, as a number of operating projects were undergoing expansion or upgrading. The increased construction activities led to the increased input VAT, which offset the output VAT and decreased the VAT payment, and in turn resulted in the decrease of VAT refund. The breakdown of other income and gains, net was set out below.

	1QFY2019	1QFY2018
	<i>HKD'000</i>	<i>HKD'000</i>
VAT refund	18,573	29,424
Government grants	5,504	3,666
Sundry income	1,409	1,341
	<u>25,486</u>	<u>34,431</u>

Administrative and other operating expenses

Administrative and other operating expenses mainly consisted of staff costs, business development expenses, net foreign exchange differences, legal and professional fees, research and development expenses, other taxes and provision for impairment of trade receivables.

Other operating expenses for 1QFY2019 were the provision for impairment of trade receivables amounting to HKD1.89 million (1QFY2018: Nil).

Administrative and other operating expenses increased by 28% from HKD58.20 million in 1QFY2018 to HKD74.73 million in 1QFY2019. The increase was mainly attributable to (i) increase in legal and professional fees incurred in connection with the dual primary listing on the Main Board of The Stock Exchange of Hong Kong Limited (“HKEX”); and (ii) increase in staff costs, business development expenses and other operating expenses due to business expansion of the Group and the acquisition of Xuzhou Municipal Engineering Design Institute Co., Ltd. in June 2018.

Finance costs

Finance costs increased from HKD64.62 million in 1QFY2018 to HKD90.75 million in 1QFY2019. The increase was mainly due to the increase of the average balance of borrowings in 1QFY2019 as compared to 1QFY2018, which was a result of the issuance of the second tranche of RMB-denominated corporate bonds of RMB800.00 million in August 2018 and the third tranche of RMB-denominated corporate bonds of RMB700.00 million in January 2019.

Income tax

Income tax in 1QFY2019 decreased by 11% from HKD89.14 million in 1QFY2018 to HKD79.02 million in 1QFY2019. The decrease in income tax was attributable to the decrease in the Group’s deferred tax in 1QFY2019 as a result of the tax policy issued by the relevant government authorities in the end of 2017 in relation to the direct investment made by foreign investors using their profits received.

Consolidated Statement of Financial Position

Assets

The total assets of the Group increased from HKD19.58 billion as at 31 December 2018 to HKD21.12 billion as at 31 March 2019, representing a growth of 8%. The increase in total assets was mainly attributable to the net effect of (i) increase in contract assets, intangible assets, trade and other receivables, and cash and cash equivalents; and (ii) decrease in fixed deposits with maturity period over three months.

Contract assets (including both current and non-current) increased from HKD13.15 billion as at 31 December 2018 to HKD14.07 billion as at 31 March 2019, while intangible assets increased from HKD1.54 billion as at 31 December 2018 to HKD1.67 billion as at 31 March 2019. The increase in contract assets and intangible assets was mainly attributable to the recognition of construction revenue for expansion and upgrading projects for several water plants, the water supply projects and other water environment treatment projects during 1QFY2019.

Trade and other receivables (including both current and non-current) of the Group increased from HKD1.18 billion as at 31 December 2018 to HKD1.39 billion as at 31 March 2019. Among them, trade receivables increased by HKD127.27 million from HKD721.28 million as at 31 December 2018 to HKD848.55 million as at 31 March 2019, which was mainly due to the seasonal settlement pattern as customers normally settle greater portion of trade receivables towards financial year end. Other receivables (including both current and non-current) increased by HKD75.50 million from HKD463.02 million as at 31 December 2018 to HKD538.52 million, which was mainly driven by the increase in prepayments for construction works and pending deduct VAT on purchase*.

Liabilities

Total borrowings (including both current and non-current) increased by HKD877.96 million. The increase was mainly due to the issuance of corporate bonds with net proceeds amounting to HKD804.24 million and new bank loans amounting to approximately HKD1,088.79 million, offset by repayments of bank and other loans amounting to HKD1,149.56 million in 1QFY2019 with the effect of exchange differences of borrowings.

Increase of HKD54.52 million in trade and other payables was mainly due to the increase in construction payables.

The Group was in a net current asset position of HKD1,569.31 million as at 31 March 2019, representing an increase of HKD904.62 million from HKD664.69 million as at 31 December 2018. The increase was primarily due to a decrease in current liabilities of HKD605.71 million, which was stemmed from the repayment of borrowings due within one year using the net proceeds from the issuance of the third tranche of the corporate bonds of RMB700.00 million with a five-year maturity in January 2019. The corporate bonds were classified as non-current liabilities.

* *Pending deduct VAT on purchase represents the excess amount of input VAT over output VAT available for future deduction in the calculation of VAT payment.*

Equity

The Group's total equity amounted to HKD9.19 billion as at 31 March 2019 (as at 31 December 2018: HKD8.66 billion). The increase was mainly due to the followings: (i) recognition of profit amounting to HKD212.87 million in 1QFY2019; and (ii) foreign currency translation gains of HKD309.70 million arising from appreciation of RMB against HKD.

Consolidated Statement of Cash Flows

Cash and cash equivalents increased from HKD1.71 billion as at 31 December 2018 to HKD2.14 billion as at 31 March 2019. Cash and cash equivalents included in the consolidated statement of cash flows is reconciled as follows:

	31 March 2019	31 December 2018
	<i>HKD'000</i>	<i>HKD'000</i>
Cash and cash equivalents per consolidated statement of financial position	2,217,861	1,728,573
Less: Pledged bank deposits	(22,315)	(21,702)
Restricted balances in financial institutions	(58,375)	–
	<hr/>	<hr/>
Cash and cash equivalents per consolidated statement of cash flows	<u>2,137,171</u>	<u>1,706,871</u>

Cash flows from operating activities

The Group had cash inflow of HKD392.21 million before working capital changes during 1QFY2019 (1QFY2018: HKD353.29 million). Changes in working capital and payment of income tax resulted in cash outflow of HKD773.39 million and HKD34.37 million respectively. As a result, the Group recorded a net cash outflow of HKD415.55 million from operating activities. The changes in working capital arose mainly from:

- (a) increase in inventories by HKD41.99 million;
- (b) increase in contract assets by HKD545.13 million;
- (c) increase in trade and other receivables by HKD165.80 million; and
- (d) decrease in trade and other payables by HKD20.48 million.

Cash flows from investing activities

In 1QFY2019, the Group recorded a net cash inflow of HKD122.89 million from investing activities. The net cash inflow mainly arose from:

- (a) payment for purchase of items of property, plant and equipment of HKD7.26 million;
- (b) payment for additions of intangible assets of HKD105.33 million;
- (c) increase in amounts due from an associate of HKD4.21 million;
- (d) decrease in fixed deposits with maturity period over three months and restricted balances in financial institutions of HKD235.47 million; and
- (e) receipt of interest of HKD4.21 million.

Cash flows from financing activities

The Group recorded a net cash inflow from financing activities of HKD676.02 million in 1QFY2019. The net cash inflow was mainly caused by:

- (a) receipt of net proceeds of HKD804.24 million from the issuance of corporate bonds, net of related expenses paid;
- (b) net repayments of bank and other loans of HKD60.78 million; and
- (c) payment of interest of HKD67.43 million.

Subsequent events

On 3 August 2018, the Company announced proposed global offering of shares (the “Shares”) in the share capital of the Company (“Global Offering”) and proposed dual primary listing (“Dual Primary Listing”) on the Main Board of HKEX. On 8 May 2019, the Company announced the completion of the Global Offering and the Dual Primary Listing. Pursuant to the Global Offering, an aggregate of 103,970,000 Shares were issued (subject to the over-allotment option), representing approximately 3.74% of the total number of Shares in issue in the share capital of the Company immediately following the Global Offering. Dealings in the Shares on HKEX commenced at 9.00 a.m. on 8 May 2019.

The net proceeds (after deducting underwriting commissions, fees and anticipated expenses payable in connection with the Global Offering) (“Net Proceeds”) from the Global Offering was approximately HKD252.3 million (assuming the over-allotment option is not exercised), which will be used for expanding market share in the PRC water industry, enhancing core technologies and replenishing general working capital.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

None.

10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting year and the next 12 months.

The major market trends occurring in the year of 2018, such as changing market conditions and tightening of industry regulations, continued into 1QFY2019. Despite such external environment, the Group continued forging ahead and achieving steady growth. During 1QFY2019, the Group secured Jiangsu Zhenjiang Zhenggrunzhou Waste Water Treatment Plant Operation and Management Project and Shandong Ji’nan Licheng Waste Water Treatment Project (Plant 3) Sludge Treatment Project; and multiple operating projects of the Group received regulatory approvals to effect tariff hikes. In addition, the Group proactively improved its operational transparency and discharge standards. The Safety and Environment Management Department, which was newly established by the Group in 2019, will create a more comprehensive and long-term environmental management mechanism. During the period under review, the Group completed the issuance of its third tranche of RMB-denominated corporate bonds, with an aggregate principal amount of RMB700 million. In May 2019, the Group completed the Dual Primary Listing on the Main Board of HKEX.

Currently, there is less than two years left before reaching the target timeline (i.e. by 2020) to achieve the various goals set by the Chinese government relating to a series of water environment management areas, such as black-odor water body treatment and urban waste water treatment. Given the continued pressure from economic downward trend and tightened industry regulations, the environmental protection enterprises will still face challenges. Those enterprises, which are capable of seizing the opportunities arising from this round of industry integration and adjustments, will gain more advantageous positions for development. Despite the challenges, there are also plentiful opportunities tapping on a number of new areas. Water environment management and industrial waste water treatment have become new development directions for the water environment management industry. Additionally, the asset-light business models, such as engineering design and management, have been rising as new development trends for water business enterprises that previously heavily relied on asset-heavy models.

Faced with the macro environment where challenges and opportunities co-exist, the Group will continue adhering to its development philosophy of “Taking Quality as the Top Mission, Keeping Efficiency as the Priority, and Pursuing Growth in Business Scale” and its development path towards “marketisation and professionalism”. Amid the volatile market conditions, the Company will navigate its directions. By focusing on comprehensive management of water environment, comprehensive utilisation of water resources and comprehensive protection of water ecology, the Group will stick to the “Technology Leads Development” ethos, boost its effort in technology research and development, expand its technological industry chain, develop new business areas and models, improve the intelligence level and transparency of its operations management, and diversify its investment and financing channels, so as to further enhance its overall strength and industry influence.

11. Dividend

(a) *Current financial period reported on*

Nil

(b) *Corresponding period of the immediately preceding financial year*

Not applicable

(c) *Date payable*

Not applicable

(d) *Books closure date*

Not applicable

12. If no dividend has been declared/recommendeded, a statement to that effect and the reasons for the decision.

No dividend has been declared for the current financial period reported on.

The Company has not adopted a quarterly dividend declaration policy. Subject to the applicable laws and regulations, the Company will declare or recommend dividend distribution for the relevant financial period or year as per its usual practice.

- 13. If the group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii) of the SGX Listing Manual. If no IPT mandate has been obtained, a statement to that effect.**

The Group obtained a general mandate (“IPT Mandate”) from shareholders for interested person transactions (“IPTs”) during its annual general meeting held on 25 April 2018 pursuant to Rule 920 of the SGX Listing Manual. The IPT Mandate was renewed during the Company’s annual general meeting held on 12 April 2019. The aggregate value of the IPTs in excess of SGD100,000 during 1QFY2019 are set out as follows:

Name of interested person	Aggregate value of all IPTs during 1QFY2019 (excluding transactions less than SGD100,000 and transactions conducted under the IPT Mandate)	Aggregate value of all IPTs conducted under the IPT Mandate (excluding transactions less than SGD100,000)
China Everbright International Limited	Nil	HKD1,726,108 (equivalent to SGD299,521)
China Everbright Securities Company Limited	Nil	HKD4,042,150 (equivalent to SGD701,409)

- 14. Status on the use of net proceeds raised from share placement and issue of medium term notes.**

On 8 May 2019, the Company announced the completion of the Global Offering and the Dual Primary Listing. Pursuant to the Global Offering, an aggregate of 103,970,000 Shares were issued (subject to the over-allotment option), with Net Proceeds of approximately HKD252.3 million (assuming the over-allotment option is not exercised). As at the date of this announcement, the Net Proceeds has not been utilised.

- 15. Confirmation that the issuer has undertakings from all its directors and executive officers under Rule 720(1) of the SGX Listing Manual.**

Pursuant to Rule 720(1) of the SGX Listing Manual, the Company has procured undertakings from all its directors and executive officers.