

CHINA EVERBRIGHT WATER LIMITED

The board of directors of China Everbright Water Limited (the “Company”) announces the unaudited financial results of the Company and its subsidiaries (collectively, the “Group”) for the third quarter and nine months ended 30 September 2018 (“3QFY2018” and “9MFY2018” respectively).

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			Group		
	3QFY2018 HKD'000	3QFY2017 HKD'000	Increase/ (decrease) %	9MFY2018 HKD'000	9MFY2017 HKD'000	Increase/ (decrease) %
Revenue	1,036,511	746,136	39%	3,396,986	2,388,906	42%
Direct costs and operating expenses	(663,926)	(448,984)	48%	(2,236,371)	(1,537,444)	45%
Gross profit	372,585	297,152	25%	1,160,615	851,462	36%
Other income	24,602	39,181	(37%)	97,917	99,798	(2%)
Administrative and other operating expenses	(114,490)	(56,804)	102%	(247,401)	(172,327)	44%
Finance income	2,504	3,575	(30%)	11,729	7,245	62%
Finance costs	(76,418)	(65,122)	17%	(212,061)	(174,262)	22%
Share of profit/(loss) of associates	928	(2,043)	(145%)	(130)	(1,327)	(90%)
Profit before tax	209,711	215,939	(3%)	810,669	610,589	33%
Income tax	(45,381)	(75,021)	(40%)	(245,567)	(181,032)	36%
Profit for the period	164,330	140,918	17%	565,102	429,557	32%
Profit attributable to:						
Shareholders of the Company	144,277	122,763	18%	515,014	377,810	36%
Non-controlling interests	20,053	18,155	10%	50,088	51,747	(3%)
	164,330	140,918	17%	565,102	429,557	32%

	Group			Group		
	3QFY2018 HKD'000	3QFY2017 HKD'000	Increase/ (decrease) %	9MFY2018 HKD'000	9MFY2017 HKD'000	Increase/ (decrease) %
Profit for the period	164,330	140,918	17%	565,102	429,557	32%
Other comprehensive (loss)/income <i>Item that may be reclassified subsequently to profit or loss</i>						
– Exchange differences on translation of foreign operations	(63,129)	(2,116)	2,883%	(70,228)	(4,341)	1,518%
<i>Item that will not be reclassified subsequently to profit or loss</i>						
– Exchange differences on the Company's financial statements into presentation currency	(606,197)	361,198	(268%)	(343,187)	562,906	(161%)
Other comprehensive (loss)/income for the period, net of tax	(669,326)	359,082	(286%)	(413,415)	558,565	(174%)
Total comprehensive income for the period	(504,996)	<u>500,000</u>	(201%)	151,687	<u>988,122</u>	(85%)
Total comprehensive income attributable to:						
Shareholders of the Company	(483,845)	465,073	(204%)	125,686	908,549	(86%)
Non-controlling interests	(21,151)	34,927	(161%)	26,001	79,573	(67%)
	(504,996)	<u>500,000</u>	(201%)	151,687	<u>988,122</u>	(85%)

Profit before tax are derived after charging the following items:

	Group			Group		
	3QFY2018 HKD'000	3QFY2017 HKD'000	Increase/ (decrease) %	9MFY2018 HKD'000	9MFY2017 HKD'000	Increase/ (decrease) %
Depreciation of property, plant and equipment	4,229	5,901	(28%)	13,036	13,649	(4%)
Amortisation of intangible assets	18,613	19,672	(5%)	54,461	59,601	(9%)
Interest expenses on:						
– Related party bank loan	–	283	(100%)	–	1,015	(100%)
– Other bank loans and other loans, and corporate bond	76,418	63,004	21%	212,061	166,296	28%
– Amounts due to group companies	–	1,835	(100%)	–	6,951	(100%)

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	
	30 September 2018 HKD'000	31 December 2017 HKD'000	30 September 2018 HKD'000	31 December 2017 HKD'000
Non-current assets				
Property, plant and equipment	152,831	152,038	20	26
Intangible assets	1,516,268	1,489,718	–	–
Goodwill	1,254,655	1,259,922	–	–
Interests in subsidiaries	–	–	11,351,822	11,700,251
Interest in associates	2,551	1,445	–	–
Other receivables	94,413	10,515	–	–
Service concession financial receivables	11,054,151	10,313,724	–	–
	14,074,869	13,227,362	11,351,842	11,700,277
Current assets				
Inventories	44,190	14,342	–	–
Trade and other receivables	1,114,549	805,859	3,318,547	1,834,010
Service concession financial receivables	1,435,407	1,200,539	–	–
Fixed deposits with maturity period over three months	549,395	630,403	–	–
Cash and cash equivalents	1,739,094	2,169,414	19,689	27,783
	4,882,635	4,820,557	3,338,236	1,861,793
Total assets	18,957,504	18,047,919	14,690,078	13,562,070

	Group		Company	
	30 September	31 December	30 September	31 December
	2018	2017	2018	2017
	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>
Equity				
Share capital	2,650,053	2,625,642	2,650,053	2,625,642
Reserves	5,202,475	5,231,541	7,001,194	7,346,805
Equity attributable to shareholders of the Company	7,855,528	7,857,183	9,651,247	9,972,447
Non-controlling interests	704,631	684,622	–	–
Total equity	<u>8,560,159</u>	<u>8,541,805</u>	<u>9,651,247</u>	<u>9,972,447</u>
Non-current liabilities				
Borrowings	5,073,648	4,728,030	3,530,893	2,077,690
Deferred tax liabilities	1,349,662	1,270,846	–	–
	6,423,310	5,998,876	3,530,893	2,077,690
Current liabilities				
Trade and other payables	1,495,652	1,553,565	135,324	155,531
Borrowings	2,429,161	1,903,722	1,372,614	1,356,402
Tax payable	49,222	49,951	–	–
	3,974,035	3,507,238	1,507,938	1,511,933
Total liabilities	<u>10,397,345</u>	<u>9,506,114</u>	<u>5,038,831</u>	<u>3,589,623</u>
Total equity and liabilities	<u>18,957,504</u>	<u>18,047,919</u>	<u>14,690,078</u>	<u>13,562,070</u>
Net current assets	<u>908,600</u>	<u>1,313,319</u>	<u>1,830,298</u>	<u>349,860</u>

1(b)(ii) Aggregate amount of group's borrowings and debt securities

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

As at 30 September 2018		As at 31 December 2017	
Secured	Unsecured	Secured	Unsecured
<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>
1,060,753	1,368,408	248,881	1,654,841

(ii) *Amounts payable after one year*

As at 30 September 2018		As at 31 December 2017	
Secured	Unsecured	Secured	Unsecured
<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>
1,524,569	3,549,079	2,458,680	2,269,350

Details of collateral

The secured borrowings of the Group as at 30 September 2018 and 31 December 2017 were secured by certain revenue, 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

	3QFY2018 HKD'000	3QFY2017 HKD'000	9MFY2018 HKD'000	9MFY2017 HKD'000
Cash flows from operating activities				
Profit before tax	209,711	215,939	810,669	610,589
Adjustments for:				
Depreciation of property, plant and equipment	4,229	5,901	13,036	13,649
Amortisation of intangible assets	18,613	19,672	54,461	59,601
Provision for impairment of trade receivables	–	–	2,865	–
Loss/(gain) on disposals of property, plant and equipment	8	(519)	354	(487)
Share of (profit)/loss of associates	(928)	2,043	130	1,327
Effect of foreign exchange rate changes	(9,013)	1,145	(22,839)	12,231
Net finance costs	73,914	61,547	200,332	167,017
Operating cash flows before working capital changes	296,534	305,728	1,059,008	863,927
Changes in working capital:				
Service concession financial receivables	(448,651)	(384,103)	(1,435,925)	(1,356,336)
Inventories	(16,210)	(4,309)	(31,822)	(7,850)
Trade and other receivables	(128,507)	(150,906)	(432,968)	(266,519)
Trade and other payables	(23,581)	69,654	(131,793)	387,873
Cash used in operations	(320,415)	(163,936)	(973,500)	(378,905)
Income tax paid	(35,931)	(24,808)	(121,391)	(72,993)
Net cash used in operating activities	(356,346)	(188,744)	(1,094,891)	(451,898)
Cash flows from investing activities				
Payment for acquisition of subsidiaries, net of cash acquired	(44,828)	–	(51,349)	–
Purchase of property, plant and equipment	(1,472)	(2,720)	(6,564)	(7,248)
Proceeds from disposals of property, plant and equipment	3	531	3	570
Payment for additions of intangible assets	(178)	(8)	(126,685)	(447)
(Increase)/decrease in fixed deposits with maturity period over three months and balances in financial institutions	–	–	183,915	–
Interest received	2,504	3,575	11,729	7,245
Net cash (used in)/generated from investing activities	(43,971)	1,378	11,049	120

	3QFY2018 <i>HKD'000</i>	3QFY2017 <i>HKD'000</i>	9MFY2018 <i>HKD'000</i>	9MFY2017 <i>HKD'000</i>
Cash flows from financing activities				
Increase/(decrease) in amounts due to intermediate holding companies	-	241	-	(22,357)
Decrease in amounts due to fellow subsidiaries	-	(152,822)	-	(152,715)
Proceeds from borrowings	1,155,031	1,914,423	2,684,674	2,393,792
Repayments of borrowings	(499,073)	(806,715)	(1,658,898)	(1,052,729)
Increase in pledged bank deposits	-	-	(23,416)	-
Interest paid	(114,194)	(65,122)	(220,621)	(174,262)
Dividend paid to shareholders	-	-	(15,166)	(12,348)
Expenses from issue of shares	-	-	(176)	(168)
Capital contributions from non-controlling shareholders of a subsidiary	-	-	192	97,955
Dividend paid to a non-controlling shareholder of a subsidiary	-	-	(6,184)	-
	<u>541,764</u>	<u>890,005</u>	<u>760,405</u>	<u>1,077,168</u>
Net cash generated from financing activities				
Net increase/(decrease) in cash and cash equivalents	141,447	702,639	(323,437)	625,390
Cash and cash equivalents at the beginning of the period	1,666,602	1,310,725	2,074,414	1,359,401
Effect of exchange rate changes on cash and cash equivalents	(90,859)	75,390	(33,787)	103,963
	<u>1,717,190</u>	<u>2,088,754</u>	<u>1,717,190</u>	<u>2,088,754</u>
Cash and cash equivalents at end of the period				

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 shareholders of the Company									Total equity HKD'000
	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	
Group										
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	2,625,642	1,266,248	411,852	200,799	1,229,302	(2,181)	2,701,874	8,433,536	725,764	9,159,300
Profit for the period	-	-	-	-	-	-	192,618	192,618	17,047	209,665
Foreign currency translation differences	-	-	(195,109)	-	-	-	-	(195,109)	(10,845)	(205,954)
Final 2017 dividend declared	-	-	-	-	-	-	(76,920)	(76,920)	-	(76,920)
Issue of shares pursuant to scrip dividend scheme (Note)	24,411	35,657	-	-	-	-	-	60,068	-	60,068
Share issue expenses	-	(176)	-	-	-	-	-	(176)	-	(176)
Dividend paid to a non-controlling shareholder	-	-	-	-	-	-	-	-	(6,184)	(6,184)
At 30 June 2018	2,650,053	1,301,729	216,743	200,799	1,229,302	(2,181)	2,817,572	8,414,017	725,782	9,139,799
Profit for the period	-	-	-	-	-	-	144,277	144,277	20,053	164,330
Foreign currency translation differences	-	-	(628,122)	-	-	-	-	(628,122)	(41,204)	(669,326)
2018 interim dividend declared	-	-	-	-	-	-	(74,644)	(74,644)	-	(74,644)
At 30 September 2018	<u>2,650,053</u>	<u>1,301,729</u>	<u>(411,379)</u>	<u>200,799</u>	<u>1,229,302</u>	<u>(2,181)</u>	<u>2,887,205</u>	<u>7,855,528</u>	<u>704,631</u>	<u>8,560,159</u>

Note: During the nine months ended 30 September 2018, the Company allotted and issued 24,411,431 new ordinary shares to shareholders who had elected to participate in the scrip dividend scheme.

Attributable to shareholders of the Company

Group	Share capital		Foreign currency translation reserve	Statutory reserve	Contributed surplus reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
At 1 January 2017	2,609,908	1,240,300	(579,620)	155,635	1,229,302	(2,181)	2,144,843	6,798,187	393,515	7,191,702
Profit for the period	-	-	-	-	-	-	114,497	114,497	15,513	130,010
Foreign currency translation differences	-	-	85,859	-	-	-	-	85,859	3,525	89,384
Capital contribution from a non-controlling shareholder	-	-	-	-	-	-	-	-	78,420	78,420
At 31 March 2017	2,609,908	1,240,300	(493,761)	155,635	1,229,302	(2,181)	2,259,340	6,998,543	490,973	7,489,516
Profit for the period	-	-	-	-	-	-	140,550	140,550	18,079	158,629
Foreign currency translation differences	-	-	102,570	-	-	-	-	102,570	7,529	110,099
Final 2016 dividend declared	-	-	-	-	-	-	(53,611)	(53,611)	-	(53,611)
Issue of shares pursuant to scrip dividend scheme (Note)	15,734	26,116	-	-	-	-	-	41,850	-	41,850
Share issue expenses	-	(168)	-	-	-	-	-	(168)	-	(168)
Capital contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	19,535	19,535
At 30 June 2017	2,625,642	1,266,248	(391,191)	155,635	1,229,302	(2,181)	2,346,279	7,229,734	536,116	7,765,850
Profit for the period	-	-	-	-	-	-	122,763	122,763	18,155	140,918
Foreign currency translation differences	-	-	342,310	-	-	-	-	342,310	16,772	359,082
Dividend paid to a non-controlling shareholder	-	-	-	-	-	-	-	-	(21,450)	(21,450)
At 30 September 2017	<u>2,625,642</u>	<u>1,266,248</u>	<u>(48,881)</u>	<u>155,635</u>	<u>1,229,302</u>	<u>(2,181)</u>	<u>2,469,042</u>	<u>7,694,807</u>	<u>549,593</u>	<u>8,244,400</u>

Note: During the nine months ended 30 September 2017, the Company allotted and issued 15,733,870 new ordinary shares to shareholders who had elected to participate in the scrip dividend scheme.

Company	Share capital HKD'000	Share premium HKD'000	Foreign currency translation reserve HKD'000	Contributed surplus reserve HKD'000	Other reserves HKD'000	Retained earnings HKD'000	Total equity HKD'000
At 1 January 2018	2,625,642	56,198	(492,810)	7,639,082	64,953	79,382	9,972,447
Loss for the period	-	-	-	-	-	(45,363)	(45,363)
Foreign currency translation differences	-	-	447,688	-	-	-	447,688
At 31 March 2018	2,625,642	56,198	(45,122)	7,639,082	64,953	34,019	10,374,772
Profit for the period	-	-	-	-	-	214,442	214,442
Foreign currency translation differences	-	-	(184,678)	-	-	-	(184,678)
Final 2017 dividend declared	-	-	-	-	-	(76,920)	(76,920)
Issue of shares pursuant to scrip dividend scheme	24,411	35,657	-	-	-	-	60,068
Share issue expenses	-	(176)	-	-	-	-	(176)
At 30 June 2018	2,650,053	91,679	(229,800)	7,639,082	64,953	171,541	10,387,508
Loss for the period	-	-	-	-	-	(55,420)	(55,420)
Foreign currency translation differences	-	-	(606,197)	-	-	-	(606,197)
2018 interim dividend declared	-	-	-	-	-	(74,644)	(74,644)
At 30 September 2018	2,650,053	91,679	(835,997)	7,639,082	64,953	41,477	9,651,247
At 1 January 2017	2,609,908	30,250	(1,084,703)	7,639,082	64,953	77,524	9,337,014
Loss for the period	-	-	-	-	-	(24,567)	(24,567)
Foreign currency translation differences	-	-	93,512	-	-	-	93,512
At 31 March 2017	2,609,908	30,250	(991,191)	7,639,082	64,953	52,957	9,405,959
Profit for the period	-	-	-	-	-	4,162	4,162
Foreign currency translation differences	-	-	108,196	-	-	-	108,196
Final 2016 dividend declared	-	-	-	-	-	(53,611)	(53,611)
Issue of shares pursuant to scrip dividend scheme	15,734	26,116	-	-	-	-	41,850
Share issue expenses	-	(168)	-	-	-	-	(168)
At 30 June 2017	2,625,642	56,198	(882,995)	7,639,082	64,953	3,508	9,506,388
Loss for the period	-	-	-	-	-	(39,511)	(39,511)
Foreign currency translation differences	-	-	361,198	-	-	-	361,198
At 30 September 2017	2,625,642	56,198	(521,797)	7,639,082	64,953	(36,003)	9,828,075

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**

	No. of ordinary shares issued ('000)
At 31 December 2017	2,625,642
Shares issued pursuant to scrip dividend scheme	<u>24,411</u>
At 30 September 2018	<u><u>2,650,053</u></u>

The Company did not have any outstanding convertibles, preference shares or treasury shares as at 30 September 2018 and 30 September 2017. The increase in the Company's share capital during the period was due to the issue of 24,411,431 shares pursuant to the scrip dividend scheme in June 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**

	30 September 2018	31 December 2017
Total number of issued shares excluding treasury shares ('000)	<u><u>2,650,053</u></u>	<u><u>2,625,642</u></u>

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 2017.

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 that are effective for annual periods beginning on or after 1 January 2018.

The changes in accounting policies and the effects of changes in accounting policies are summarised below:

IFRS 9 Financial Instruments

IFRS 9 brings together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings as at 1 January 2018.

Changes to classification and measurement

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity’s business model for managing the assets and the instruments’ contractual cash flow characteristics.

The IAS 39 measurement categories of financial assets (fair value through profit or loss (“FVPL”), available for sale, held-to-maturity, loans and receivables, and amortised cost) have been replaced by:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (“FVOCI”), with gains or losses recycled to profit or loss on derecognition
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition
- Financial assets FVPL

The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from an entity’s own credit risk relating to liabilities designated at FVPL. Such movements are presented in other comprehensive income with no subsequent reclassification to profit or loss.

Changes to the impairment calculation

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL. The ECL allowance is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The changes for the Group's financial assets and financial liabilities on 1 January 2018, the Group's date of initial application of IFRS 9, are summarised as follows:

	<u>Originally stated</u>	Remeasurement upon	<u>IFRS 9</u>
	Loans and receivables	application of IFRS 9	Amortised cost
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets			
Service concession financial receivables	11,514,263	-	11,514,263
Financial assets included in trade and other receivables	(i) 544,121	(35,669)	508,452
Fixed deposits with maturity period over three months	630,403	-	630,403
Cash and cash equivalents	2,169,414	-	2,169,414
	<u>14,858,201</u>	<u>(35,669)</u>	<u>14,822,532</u>

	Originally stated	Remeasurement upon	IFRS 9
	Amortised cost	application of IFRS 9	Amortised cost
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial liabilities			
Financial liabilities included in trade and other payables	1,493,486	-	1,493,486
Borrowings	6,631,752	-	6,631,752
	<u>8,125,238</u>	<u>-</u>	<u>8,125,238</u>

The impact of the Group's retained earnings due to the remeasurement of financial instruments as at 1 January 2018, the Group's date of initial application of IFRS 9, is as follows:

	<i>Note</i>	Retained earnings <i>HK\$'000</i>
At 1 January 2018 (originally stated)		2,559,424
Remeasurement upon initial application of IFRS 9	<i>(i)</i>	<u>(35,669)</u>
At 1 January 2018 (restated)		<u>2,523,755</u>

Note:

- (i) As at 1 January 2018, the Group recorded ECLs allowance under IFRS 9 of HK\$35,669,000.

Except for the above-mentioned changes, the accounting policies and methods of computation used in the preparation for the current period are consistent with those specified in the audited financial statements of the Group for the financial year ended 31 December 2017.

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	3QFY2018	3QFY2017	9MFY2018	9MFY2017
Profit attributable to shareholders of the Company (<i>HKD'000</i>)	144,277	122,763	515,014	377,810
Weighted average number of ordinary shares in issue (<i>'000</i>)	2,650,053	2,625,642	2,634,673	2,615,729
Basic/diluted earnings per share (<i>HKD</i>)	<u>0.054</u>	<u>0.047</u>	<u>0.195</u>	<u>0.144</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	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
	<i>HKD</i>	<i>HKD</i>	<i>HKD</i>	<i>HKD</i>
Net asset value per ordinary share based on the issued share capital as at the end of the respective period	<u>2.96</u>	<u>2.99</u>	<u>3.64</u>	<u>3.80</u>

Net asset value per ordinary share was calculated by the net asset value attributable to shareholders 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 3QFY2018, the revenue of the Group increased by 39% to HKD1.04 billion compared with the revenue of HKD746.14 million in 3QFY2017. Gross profit of the Group increased from HKD297.15 million in 3QFY2017 to HKD372.59 million in 3QFY2018, representing an increase of 25%. The profit of the Group increased from HKD140.92 million in 3QFY2017 to HKD164.33 million in 3QFY2018, representing a rise of 17%. The profit attributable to shareholders of the Company in 3QFY2018 amounted to HKD144.28 million, which increased by 18% over 3QFY2017.

Consolidated Statement of Comprehensive Income

Revenue

Revenue increased by 39% from HKD746.14 million in 3QFY2017 to HKD1.04 billion in 3QFY2018. The increase was mainly attributable to the increase of HKD227.76 million in construction revenue, HKD54.00 million in operation revenue and HKD8.62 million in finance income. The increase in construction revenue was mainly attributable to construction of the sponge city project and the water supply project in addition to the expansion and upgrading of several waste water treatment plants which were under construction during 3QFY2018. The increase in operation revenue was the result of (i) commencement of operation of new projects during the last quarter of FY2017 and 9MFY2018; and (ii) tariff hikes for several projects effected during the last quarter of FY2017 and 9MFY2018. The increase in finance income was due to the increase in service concession financial receivables.

Direct costs and operating expenses

Direct costs and operating expenses increased by 48% from HKD448.98 million in 3QFY2017 to HKD663.93 million in 3QFY2018. The increase was mainly due to the increase in construction cost arising from the increased construction services, which contributed to a construction revenue of HKD558.55 million in 3QFY2018 as compared to HKD330.79 million in 3QFY2017.

Gross profit margin

Overall gross profit margin in 3QFY2018 decreased to 36% (3QFY2017: 40%). It was mainly due to the increase in the proportion of construction revenue in the mix of the total revenue in 3QFY2018 as compared with 3QFY2017. In general, construction services have lower gross profit margin as compared to operation services, and thus, a higher proportion of construction revenue will reduce the overall gross profit margin.

Other income

Other income decreased by 37% to HKD24.60 million in 3QFY2018 as compared with HKD39.18 million in 3QFY2017. Other income mainly consisted of value-added tax (“VAT”) refund, government grants and other sundry income. The decrease in other income 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.

Administrative and other operating expenses

Administrative and other operating expenses mainly consisted of staff costs, research and development expenses, rental expenses, foreign exchange differences, legal and professional fees and other taxes.

Administrative and other operating expenses increased by 102% from HKD56.80 million in 3QFY2017 to HKD114.49 million in 3QFY2018. The increase was mainly attributable to: (i) increase in legal and professional fees incurred in connection with the proposed dual primary listing on the Main Board of the Stock Exchange of Hong Kong Limited; (ii) the relevant expenses incurred by the newly-acquired subsidiary, Xuzhou Municipal Engineering Design Institute Co., Ltd (“Xuzhou Engineering Design Institute”), in Jiangsu Province since June 2018; (iii) increase in research and development expenses, staff costs and business development expenses; and (iv) foreign exchange losses arising from the depreciation of RMB against USD and HKD.

Finance costs

Finance costs increased from HKD65.12 million in 3QFY2017 to HKD76.42 million in 3QFY2018. The increase was mainly due to the increase in both the average balance of borrowings and the average interest rate in 3QFY2018 as compared to 3QFY2017.

Income tax

Income tax in 3QFY2018 decreased by 40% from HKD75.02 million in 3QFY2017 to HKD45.38 million in 3QFY2018. The decrease in income tax was attributable to the decrease in the Group's deferred tax in 3QFY2018 as a result of a new tax policy, which was 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 HKD18.05 billion as at 31 December 2017 to HKD18.96 billion as at 30 September 2018, representing a growth of 5%. The increase in total assets was mainly attributable to the net effect of (i) increase in service concession financial receivables, intangible assets and trade and other receivables; and (ii) decrease in cash and cash equivalents.

Service concession financial receivables (including both current and non-current) increased from HKD11.51 billion as at 31 December 2017 to HKD12.49 billion as at 30 September 2018, representing an increase of HKD975.30 million, while intangible assets increased from HKD1.49 billion as at 31 December 2017 to HKD1.52 billion as at 30 September 2018, representing an increase of HKD26.55 million. The increase in service concession financial receivables and intangible assets was mainly attributable to the recognition of construction revenue for expansion and upgrading projects for several water plants, the sponge city construction project, the water supply project and other water environment management projects during 9MFY2018.

Trade and other receivables (including both current and non-current) of the Group increased from HKD816.37 million as at 31 December 2017 to HKD1.21 billion as at 30 September 2018. Among them, trade receivables increased by HKD309.80 million to HKD723.57 million as at 30 September 2018, 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 HKD82.80 million during 9MFY2018, which was mainly driven by the increase in VAT refund receivables and pending deduct VAT on purchase*.

* *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.*

Liabilities

Total borrowings (including both current and non-current) increased by HKD871.06 million. The increase was mainly due to the issuance of the second tranche of corporate bonds with an aggregate principal amount of RMB800 million in August 2018. During 9MFY2018, the receipt of proceeds from borrowings amounted to approximately HKD2.68 billion, which was offset by repayments made for borrowings amounting to HKD1.66 billion with the effect of exchange differences of borrowings.

Trade and other payables as at 30 September 2018 remained relatively stable compared to 31 December 2017.

The Group was in a net current asset position of HKD908.60 million as at 30 September 2018, representing a decrease of HKD404.72 million from HKD1.31 billion as at 31 December 2017. The decrease in the net current asset was primarily due to increase in borrowings under current liabilities, which were reclassified from non-current liabilities, as those borrowings became due within one year.

Equity

The Group's total equity amounted to HKD8.56 billion as at 30 September 2018 (31 December 2017: HKD8.54 billion). The increase was mainly due to the followings: (i) recognition of profit amounting to HKD565.10 million in 9MFY2018; (ii) foreign currency translation loss of HKD413.42 million recognised in 9MFY2018 arising from depreciation of RMB against HKD; (iii) the decrease of HKD91.67 million in equity due to payment of 2017 final dividend and declaration of 2018 interim dividend in 9MFY2018; (iv) capital contribution of HKD0.19 million by a non-controlling shareholder of a subsidiary during 9MFY2018; and (v) the decrease of HKD6.18 million in equity due to payment of dividend to a non-controlling shareholder of a subsidiary in 9MFY2018.

Consolidated Statement of Cash Flows

Cash and cash equivalents decreased from HKD2.07 billion as at 31 December 2017 to HKD1.72 billion as at 30 September 2018. Cash and cash equivalents included in the consolidated statement of cash flows is reconciled as follows:

	30 September 2018 HKD'000	31 December 2017 HKD'000
Cash and cash equivalents per consolidated statement of financial position	1,739,094	2,169,414
Less: Restricted balances in financial institutions	–	(95,000)
Pledged bank deposits	(21,904)	–
	<hr/>	<hr/>
Cash and cash equivalents per consolidated statement of cash flows	<u>1,717,190</u>	<u>2,074,414</u>

Cash flows from operating activities

The Group had cash inflow of HKD296.53 million before working capital changes during 3QFY2018 (3QFY2017: HKD305.73 million). Changes in working capital and payment of income tax resulted in cash outflow of HKD616.95 million and HKD35.93 million respectively. As a result, the Group recorded a net cash outflow of HKD356.35 million from operating activities. The changes in working capital arose mainly from:

- (i) increase in service concession financial receivables by HKD448.65 million;
- (ii) increase in inventories by HKD16.21 million;
- (iii) increase in trade and other receivables by HKD128.51 million; and
- (iv) decrease in trade and other payables by HKD23.58 million.

Cash flows from investing activities

In 3QFY2018, the Group recorded a net cash outflow of HKD43.97 million from investing activities. The cash outflow mainly arose from:

- (i) payment for acquisition of subsidiaries (net of cash acquired) of HKD44.83 million;
- (ii) payment for purchase of property, plant and equipment of HKD1.47 million; and
- (iii) receipt of interest of HKD2.50 million.

Cash flows from financing activities

The Group recorded a net cash inflow from financing activities of HKD541.76 million in 3QFY2018. The net cash inflow was caused by:

- (i) receipt of net proceeds from borrowings of HKD655.96 million; and
- (ii) payment of interest of HKD114.19 million.

Subsequent events

On 2 November 2018, the Company announced that its wholly owned subsidiary entered into various agreements with the relevant local government authorities in relation to the relocation, expansion or upgrading of various existing waste water treatment plants of the Company in Zibo City, Shandong Province (such new projects collectively, the “Zibo Projects”). The aggregate investment amount of the Zibo Projects is expected to be approximately RMB1.047 billion.

On 5 November 2018, the Company entered into agreements with the Laiyang Economic Development Zone Management Committee relating to the Laiyang Economic Development Zone Integrated Water Environment Management Public-Private Partnership Project (the “Laiyang Project”). The aggregate investment amount of the Laiyang Project is expected to be approximately RMB484 million.

- 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.**

In 3QFY2018, the Group continued proactively exploring and making steady progress in several major areas, including business expansion, engineering construction, operations management, technology research and development. It solidified its advantageous market position in Jiangsu, Shandong and Liaoning provinces and advanced a safe and smooth progress in project construction works at various locations. The Group also received approvals on various types of subsidies and tariff hikes for several projects, as a result of its stable operations management. In addition, the Group successfully issued the second tranche of its RMB-denominated corporate bonds and tapped into the green bond market for the first time. The bond issuance broadened the Group's financing channels, improved its current ratio and controlled its finance costs.

The action plan to tackle the tough battle concerning pollution prevention and control, which was released earlier, emphasises on several water environment management areas, such as: treatment of urban black and odorous water bodies, protection and restoration of Yangtze River, and protection of water sources. This has further unleashed the market potential. Riding on the opportunities arising from policies in the areas of sludge treatment and rural environment management, the Group will make assessment by considering factors such as technology, operations, business and construction. The Group will leverage on its "Intelligent Water" system and its technological innovation capability to drive its development.

Amid the increasingly fierce market competition and stringent industry regulation, the Group strives to enhance its core competitiveness and to take swift advantage of the opportunities arising therefrom. The Group will steadily expand its business chain and prudently synchronise its asset-light and asset-heavy businesses. It will also focus on the comprehensive management of water environment, comprehensive utilisation of water resources and comprehensive protection of water ecology. Despite the challenges faced by the Group, it will grasp the opportunities and continue striving to make steady progress with determination.

11. Dividend

(a) *Current financial period reported on*

Any dividend declared for the 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/recommended, a statement to that effect.

No dividend has been declared for 3QFY2018.

- 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). 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-ST Listing Rules. The aggregate value of the IPTs in excess of SGD100,000 during 3QFY2018 and 9MFY2018 are set out as follows:

3QFY2018:

Name of interested person	Aggregate value of all IPTs during 3QFY2018 (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	HKD1,594,657 (equivalent to SGD272,703)
China Everbright Securities Company Limited	Nil	HKD4,812,000 (equivalent to SGD822,902)

9MFY2018:

Name of interested person	Aggregate value of all IPTs during 9MFY2018 (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	HKD3,960,739 (equivalent to SGD677,327)*	HKD67,007,089 (equivalent to SGD11,458,904)
China Everbright Securities Company Limited	Nil	HKD4,812,000 (equivalent to SGD822,902)

14. Status on the use of net proceeds raised from share placement and issue of MTN.

Not applicable

15. Confirmation that the issuer has undertakings from all its directors and executive officers under Rule 720(1).

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

* *The aggregate value of all IPTs during 1HFY2018 as stated in the 1HFY2018 results announcement was restated to have excluded the IPTs conducted under IPT Mandate during that period.*

**CONFIRMATION BY THE BOARD
PURSUANT TO THE RULE 705(5) OF THE LISTING MANUAL**

I, An Xuesong, do hereby confirm on behalf of the Board of Directors of China Everbright Water Limited (the “Company”), that to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial results for the third quarter and nine months ended 30 September 2018 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

An Xuesong

Executive Director and Chief Executive Officer

12 November 2018