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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 Third Quarter And Nine Months Ended 30 September 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 “SEHK Listing Rules”) and the Inside Information Provisions (as defined in the SEHK 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 the 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 third quarter and nine months ended 30 September 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, 14 November 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 third quarter and nine months ended 30 September 2019 (“3QFY2019” and “9MFY2019” 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		Increase/ (decrease) %	Group		Increase/ (decrease) %
	3QFY2019 HK\$'000	3QFY2018 HK\$'000		9MFY2019 HK\$'000	9MFY2018 HK\$'000	
Revenue	1,374,105	1,036,511	33%	3,859,471	3,396,986	14%
Direct costs and operating expenses	(911,844)	(663,926)	37%	(2,477,125)	(2,236,371)	11%
Gross profit	462,261	372,585	24%	1,382,346	1,160,615	19%
Other income and gains, net	12,734	24,602	(48%)	55,873	97,917	(43%)
Administrative and other operating expenses	(131,780)	(114,490)	15%	(325,099)	(247,401)	31%
Finance income	3,415	2,504	36%	16,854	11,729	44%
Finance costs	(89,009)	(76,418)	16%	(268,275)	(212,061)	27%
Share of profit/(loss) of associates	1,416	928	53%	504	(130)	(488%)
Profit before tax	259,037	209,711	24%	862,203	810,669	6%
Income tax	(60,793)	(45,381)	34%	(215,225)	(245,567)	(12%)
Profit for the period	198,244	164,330	21%	646,978	565,102	14%
Profit attributable to:						
Equity holders of the Company	182,617	144,277	27%	603,104	515,014	17%
Non-controlling interests	15,627	20,053	(22%)	43,874	50,088	(12%)
	198,244	164,330	21%	646,978	565,102	14%

	Group			Group		
	3QFY2019 HK\$'000	3QFY2018 HK\$'000	Increase/ (decrease) %	9MFY2019 HK\$'000	9MFY2018 HK\$'000	Increase/ (decrease) %
Profit for the period	198,244	164,330	21%	646,978	565,102	14%
Other comprehensive income						
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:						
– Exchange differences on translation of foreign operations	(47,865)	(63,129)	(24%)	(65,987)	(70,228)	(6%)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:						
– Exchange differences on translation of the Company's financial statements into presentation currency	(216,229)	(606,197)	(64%)	(267,531)	(343,187)	(22%)
Other comprehensive income for the period, net of income tax	(264,094)	(669,326)	(61%)	(333,518)	(413,415)	(19%)
Total comprehensive income for the period	(65,850)	(504,996)	(87%)	313,460	151,687	107%
Total comprehensive income attributable to:						
Equity holders of the Company	(65,985)	(483,845)	(86%)	288,711	125,686	130%
Non-controlling interests	135	(21,151)	(101%)	24,749	26,001	(5%)
	(65,850)	(504,996)	(87%)	313,460	151,687	107%

Profit before tax are derived after charging the following items:

	Group			Group		
	3QFY2019 HK\$'000	3QFY2018 HK\$'000	Increase/ (decrease) %	9MFY2019 HK\$'000	9MFY2018 HK\$'000	Increase/ (decrease) %
Depreciation of property, plant and equipment	4,321	4,229	2%	13,053	13,036	0%
Depreciation of right-of-use assets	1,441	–	N/A	3,512	–	N/A
Amortisation of intangible assets	17,731	18,588	(5%)	55,091	54,251	2%
Amortisation of prepaid land lease payments	84	25	236%	258	210	23%
Interest expenses on bank and other loans and corporate bonds	89,009	76,418	16%	268,275	212,061	27%

N/A: Not applicable

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 2019 HK\$'000	31 December 2018 HK\$'000	30 September 2019 HK\$'000	31 December 2018 HK\$'000
Non-current assets				
Property, plant and equipment	140,637	144,779	13	18
Right-of-use assets	20,081	–	–	–
Prepaid land lease payments	4,981	5,372	–	–
	165,699	150,151	13	18
Goodwill	1,210,470	1,242,713	–	–
Intangible assets	1,601,663	1,536,169	–	–
Interests in subsidiaries	–	–	9,815,082	10,741,587
Interest in associates	3,474	3,011	–	–
Contract assets	12,842,340	11,727,822	–	–
Trade and other receivables	134,693	159,259	–	–
Other financial assets	425,160	–	397,766	–
Total non-current assets	16,383,499	14,819,125	10,212,861	10,741,605
Current assets				
Inventories	127,930	40,436	–	–
Contract assets	1,475,044	1,424,161	–	–
Trade and other receivables	1,540,155	1,025,044	4,658,786	3,663,426
Fixed deposits with maturity period of over three months	–	547,050	–	–
Cash and cash equivalents	1,392,586	1,728,573	289,915	31,661
Total current assets	4,535,715	4,765,264	4,948,701	3,695,087

	Group		Company	
	30 September 2019 <i>HK\$'000</i>	31 December 2018 <i>HK\$'000</i>	30 September 2019 <i>HK\$'000</i>	31 December 2018 <i>HK\$'000</i>
Current liabilities				
Trade and other payables	2,060,915	1,895,095	178,240	102,001
Borrowings	1,889,383	2,160,400	575,124	1,053,319
Tax payable	53,938	45,083	–	–
Lease liabilities	8,527	–	–	–
Total current liabilities	<u>4,012,763</u>	<u>4,100,578</u>	<u>753,364</u>	<u>1,155,320</u>
Net current assets	<u>522,952</u>	<u>664,686</u>	<u>4,195,337</u>	<u>2,539,767</u>
Total assets less current liabilities	<u>16,906,451</u>	<u>15,483,811</u>	<u>14,408,198</u>	<u>13,281,372</u>
Non-current liabilities				
Borrowings	6,270,046	5,440,376	4,725,454	3,511,586
Deferred tax liabilities	1,433,723	1,379,738	–	–
Lease liabilities	11,586	–	–	–
Total non-current liabilities	<u>7,715,355</u>	<u>6,820,114</u>	<u>4,725,454</u>	<u>3,511,586</u>
Net assets	<u>9,191,096</u>	<u>8,663,697</u>	<u>9,682,744</u>	<u>9,769,786</u>
Equity				
Equity attributable to equity holders of the Company				
Share capital	2,812,531	2,676,062	2,812,531	2,676,062
Reserves	5,643,798	5,307,128	6,870,213	7,093,724
	<u>8,456,329</u>	<u>7,983,190</u>	<u>9,682,744</u>	<u>9,769,786</u>
Non-controlling interests	<u>734,767</u>	<u>680,507</u>	<u>–</u>	<u>–</u>
Total equity	<u>9,191,096</u>	<u>8,663,697</u>	<u>9,682,744</u>	<u>9,769,786</u>

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 30 September 2019		As at 31 December 2018	
Secured	Unsecured	Secured	Unsecured
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
223,513	1,665,870	1,062,132	1,098,268

(ii) Amounts payable after one year

As at 30 September 2019		As at 31 December 2018	
Secured	Unsecured	Secured	Unsecured
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
1,276,033	4,994,013	1,453,818	3,986,558

Details of collateral

The secured borrowings of the Group as at 30 September 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

	3QFY2019 HK\$'000	3QFY2018 HK\$'000	9MFY2019 HK\$'000	9MFY2018 HK\$'000
Cash flows from operating activities				
Profit before tax	259,037	209,711	862,203	810,669
Adjustments for:				
Depreciation of property, plant and equipment	4,321	4,229	13,053	13,036
Depreciation of right-of-use assets	1,441	–	3,512	–
Amortisation of prepaid land lease payments	84	25	258	210
Amortisation of intangible assets	17,731	18,588	55,091	54,251
Loss on disposal of property, plant and equipment	484	8	484	354
Finance costs	89,009	76,418	268,275	212,061
Finance income	(3,415)	(2,504)	(16,854)	(11,729)
Share of (profit)/losses of associates	(1,416)	(928)	(504)	130
Fair value adjustment of contingent consideration receivable	7	–	(720)	–
Fair value changes of other financial assets, net	5,231	–	8,687	–
Provision for impairment of trade receivables	11,172	–	13,169	2,865
Effect of foreign exchange rates changes, net	3,122	(9,013)	(6,464)	(22,839)
Operating cash flows before working capital changes	386,808	296,534	1,200,190	1,059,008
Changes in working capital:				
Increase in inventories	(42,383)	(16,210)	(91,433)	(31,822)
Increase in contract assets	(551,241)	(448,651)	(1,558,399)	(1,435,925)
Increase in trade and other receivables	(149,140)	(128,507)	(546,973)	(432,968)
Increase/(decrease) in trade and other payables	62,569	(23,581)	158,626	(131,793)
Cash used in operations	(293,387)	(320,415)	(837,989)	(973,500)
People's Republic of China ("PRC") income tax paid	(30,570)	(35,931)	(110,719)	(121,391)
Net cash used in operating activities	(323,957)	(356,346)	(948,708)	(1,094,891)
Cash flows from investing activities				
Payment for acquisition of subsidiaries, net of cash acquired	–	(44,828)	–	(51,349)
Purchase of property, plant and equipment	(3,748)	(1,472)	(13,157)	(6,564)
Proceeds from disposals of property, plant and equipment	–	3	–	3
Payment for additions of intangible assets	(33,746)	(178)	(168,590)	(126,685)
Increase in amounts due from an associate	(176)	–	(4,549)	–
Decrease/(increase) in other financial assets	3,880	–	(447,683)	–
Decrease in fixed deposits with maturity period of over three months and restricted balances in financial institutions	253,948	–	547,050	183,915
Interest received	3,415	2,504	16,854	11,729
Net cash generated from/(used in) investing activities	223,573	(43,971)	(70,075)	11,049

	3QFY2019 HK\$'000	3QFY2018 HK\$'000	9MFY2019 HK\$'000	9MFY2018 HK\$'000
Cash flows from financing activities				
Proceeds from issue of shares under global offering	-	-	310,870	-
Payment for listing expenses	-	-	(11,643)	-
Capital contribution from a non-controlling shareholder of a subsidiary	-	-	29,511	192
Decrease in amounts due to intermediate holding companies	(398)	-	(4)	-
Proceeds from the issuance of corporate bonds, net of related expenses paid	-	-	804,235	-
New bank loans	473,235	1,155,031	2,360,675	2,684,674
Repayments of bank and other loans	(607,468)	(499,073)	(2,477,206)	(1,658,898)
Interest paid	(164,645)	(114,194)	(286,762)	(220,621)
Principal elements of lease payments	(1,921)	-	(3,910)	-
Interest elements of lease payments	687	-	437	-
Increase in pledged bank deposits	-	-	(9)	(23,416)
Dividend paid to shareholders of the Company	-	-	(8,675)	(15,166)
Share issue expenses in relation to scrip dividend scheme	-	-	(172)	(176)
Dividend paid to a non-controlling shareholder of a subsidiary	-	-	(28,990)	(6,184)
	<u>-</u>	<u>-</u>	<u>(28,990)</u>	<u>(6,184)</u>
Net cash flows (used in)/generated from financing activities	(300,510)	541,764	688,357	760,405
Net (decrease)/increase in cash and cash equivalents	(400,894)	141,447	(330,426)	(323,437)
Cash and cash equivalents at the beginning of the period	1,786,039	1,666,602	1,706,871	2,074,414
Effect of exchange rate fluctuations on cash and cash equivalents	(15,036)	(90,859)	(6,336)	(33,787)
	<u>(15,036)</u>	<u>(90,859)</u>	<u>(6,336)</u>	<u>(33,787)</u>
Cash and cash equivalents at the end of the period	<u>1,370,109</u>	<u>1,717,190</u>	<u>1,370,109</u>	<u>1,717,190</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	Share premium	Foreign currency translation reserve	Statutory reserve	Contributed surplus reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'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	2,676,062	1,333,181	(211,568)	300,386	1,229,302	(2,181)	3,155,414	8,480,596	705,670	9,186,266
Profit for the period	-	-	-	-	-	-	214,136	214,136	21,732	235,868
Foreign currency translation differences	-	-	(356,846)	-	-	-	-	(356,846)	(22,281)	(379,127)
2018 final dividend declared	-	-	-	-	-	-	(77,476)	(77,476)	-	(77,476)
Issue of shares under global offering (Note)	103,970	206,900	-	-	-	-	-	310,870	-	310,870
Share issue expenses in relation to global offering	-	(11,643)	-	-	-	-	-	(11,643)	-	(11,643)
Issue of shares pursuant to scrip dividend scheme (Note)	32,499	35,533	-	-	-	-	-	68,032	-	68,032
Share issue expenses in relation to scrip dividend scheme	-	(172)	-	-	-	-	-	(172)	-	(172)
Capital contribution from a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	29,511	29,511
At 30 June 2019	2,812,531	1,563,799	(568,414)	300,386	1,229,302	(2,181)	3,292,074	8,627,497	734,632	9,362,129
Profit for the period	-	-	-	-	-	-	182,617	182,617	15,627	198,244
Foreign currency translation differences	-	-	(248,602)	-	-	-	-	(248,602)	(15,492)	(264,094)
2019 interim dividend declared	-	-	-	-	-	-	(105,183)	(105,183)	-	(105,183)
At 30 September 2019	<u>2,812,531</u>	<u>1,563,799</u>	<u>(817,016)</u>	<u>300,386</u>	<u>1,229,302</u>	<u>(2,181)</u>	<u>3,369,508</u>	<u>8,456,329</u>	<u>734,767</u>	<u>9,191,096</u>

Note: During the nine months ended 30 September 2019, the Company allotted and issued (a) 103,970,000 new ordinary shares under the global offering; and (b) 32,498,492 new ordinary shares to the shareholders of the Company (the “Shareholders”) who had elected to participate in the scrip dividend scheme.

Attributable to equity holders of the Company

Group	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Foreign currency translation reserve <i>HK\$'000</i>	Statutory reserve <i>HK\$'000</i>	Contributed surplus reserve <i>HK\$'000</i>	Other reserves <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
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)
At 1 January 2018 (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 of a subsidiary	-	-	-	-	-	-	-	-	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)
2017 final dividend declared	-	-	-	-	-	-	(76,920)	(76,920)	-	(76,920)
Issue of shares pursuant to scrip dividend scheme (<i>Note</i>)	24,411	35,657	-	-	-	-	-	60,068	-	60,068
Share issue expenses in relation to scrip dividend scheme	-	(176)	-	-	-	-	-	(176)	-	(176)
Dividend paid to a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	(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 the Shareholders who had elected to participate in the scrip dividend scheme.

Company	Share capital HK\$'000	Share premium HK\$'000	Foreign currency translation reserve HK\$'000	Contributed surplus reserve HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Total equity HK\$'000
At 1 January 2019	2,676,062	123,131	(934,538)	7,639,082	64,953	201,096	9,769,786
Loss for the period	-	-	-	-	-	(58,558)	(58,558)
Foreign currency translation differences	-	-	271,128	-	-	-	271,128
At 31 March 2019	2,676,062	123,131	(663,410)	7,639,082	64,953	142,538	9,982,356
Profit for the period	-	-	-	-	-	125,335	125,335
Foreign currency translation differences	-	-	(322,430)	-	-	-	(322,430)
2018 final dividend declared	-	-	-	-	-	(77,476)	(77,476)
Issue of shares under global offering	103,970	206,900	-	-	-	-	310,870
Share issue expenses in relation to global offering	-	(11,643)	-	-	-	-	(11,643)
Issue of shares pursuant to scrip dividend scheme	32,499	35,533	-	-	-	-	68,032
Share issue expenses in relation to scrip dividend scheme	-	(172)	-	-	-	-	(172)
At 30 June 2019	2,812,531	353,749	(985,840)	7,639,082	64,953	190,397	10,074,872
Loss for the period	-	-	-	-	-	(70,716)	(70,716)
Foreign currency translation differences	-	-	(216,229)	-	-	-	(216,229)
2019 interim dividend declared	-	-	-	-	-	(105,183)	(105,183)
At 30 September 2019	<u>2,812,531</u>	<u>353,749</u>	<u>(1,202,069)</u>	<u>7,639,082</u>	<u>64,953</u>	<u>14,498</u>	<u>9,682,744</u>
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)
2017 final dividend declared	-	-	-	-	-	(76,920)	(76,920)
Issue of shares pursuant to scrip dividend scheme	24,411	35,657	-	-	-	-	60,068
Share issue expenses in relation to scrip dividend scheme	-	(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	<u>2,650,053</u>	<u>91,679</u>	<u>(835,997)</u>	<u>7,639,082</u>	<u>64,953</u>	<u>41,477</u>	<u>9,651,247</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

	No. of ordinary shares issued (’000)
At 31 December 2018	2,676,062
Shares issued under global offering	103,970
Shares issued pursuant to scrip dividend scheme	<u>32,499</u>
At 30 September 2019	<u>2,812,531</u>

The Company allotted and issued 103,970,000 shares in its share capital on 7 and 8 May 2019 pursuant to the global offering. In addition, the Company allotted and issued 32,498,492 shares pursuant to the scrip dividend scheme in June 2019.

The Company did not have any outstanding convertibles, preference shares and treasury shares as at 30 September 2019 and 30 September 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 2019	31 December 2018
Total number of issued shares excluding treasury shares (’000)	<u>2,812,531</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 auditor's 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	3QFY2019	3QFY2018	9MFY2019	9MFY2018
Profit attributable to equity holders of the Company (HK\$'000)	182,617	144,277	603,104	515,014
Weighted average number of ordinary shares in issue ('000)	2,812,531	2,650,053	2,745,369	2,634,673
Basic/diluted earnings per share (HK\$)	<u>0.065</u>	<u>0.054</u>	<u>0.220</u>	<u>0.195</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	31 December	30 September	31 December
	2019	2018	2019	2018
	HK\$	HK\$	HK\$	HK\$
Net asset value per ordinary share based on the issued share capital as at the end of the respective period	<u>3.01</u>	<u>2.98</u>	<u>3.44</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 3QFY2019, the revenue of the Group increased by 33% to HK\$1.37 billion compared with the revenue of HK\$1.04 billion in 3QFY2018. Gross profit of the Group increased from HK\$372.59 million in 3QFY2018 to HK\$462.26 million in 3QFY2019, representing an increase of 24%. The profit of the Group increased from HK\$164.33 million in 3QFY2018 to HK\$198.24 million in 3QFY2019, representing an increase of 21%. The profit attributable to equity holders of the Company in 3QFY2019 amounted to HK\$182.62 million, representing an increase of 27% from 3QFY2018.

Consolidated Statement of Comprehensive Income

Revenue

Revenue increased by 33% from HK\$1.04 billion in 3QFY2018 to HK\$1.37 billion in 3QFY2019. The increase was mainly attributable to the increase of HK\$193.07 million in construction revenue, HK\$85.85 million in operation revenue, HK\$23.20 million in finance income and HK\$35.47 million in other kind of revenue. The increase in construction revenue was mainly attributable to the construction of river-basin ecological restoration projects in addition to the expansion and upgrading of several waste water treatment plants which were under construction during 3QFY2019. The increase in operation revenue was the result of (i) the commencement of operation of new projects during the last quarter of FY2018 and 9MFY2019; and (ii) the tariff hikes for several projects effected during the last quarter of FY2018 and 9MFY2019. 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 37% from HK\$663.93 million in 3QFY2018 to HK\$911.84 million in 3QFY2019. The increase was mainly due to the increase in construction cost arising from the increased construction services, which contributed to a construction revenue of HK\$684.78 million in 3QFY2019 as compared to HK\$491.71 million in 3QFY2018.

Gross profit margin

Overall gross profit margin in 3QFY2019 decreased to 34% (3QFY2018: 36%). It was mainly due to a slightly larger proportion of construction revenue recognised in the mix of the total revenue of 3QFY2019 as compared with 3QFY2018. Construction revenue comprised approximately 57% of total revenue in 3QFY2019 (3QFY2018: 54%). In general, construction services have a lower gross profit margin than operation services, and thus, a larger (smaller) proportion of construction revenue will reduce (increase) the overall gross profit margin.

Other income and gains, net

Other income and gains, net mainly consisted of value-added tax (“VAT”) refunds, government grants, fair value change on financial assets at fair value through profit or loss, and other sundry income. Other income and gains, net decreased by 48% to HK\$12.73 million in 3QFY2019 as compared with HK\$24.60 million in 3QFY2018. The decreases in other income and gains, net were mainly due to the decrease of VAT refunds. The decrease in VAT refunds was the result of less VAT paid during the period, as a number of operating projects were undergoing expansion or upgrading. The construction activities led to the accumulation of input VAT, which offset the output VAT and decreased the VAT payment, and in turn resulted in the decrease of VAT refunds. The breakdown of other income and gains, net was set out below.

	3QFY2019	3QFY2018	9MFY2019	9MFY2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Government grants	1,857	3,152	14,031	11,102
VAT refunds	12,927	20,186	43,236	81,008
Fair value gain/(loss), net:				
Contingent consideration receivable	(7)	–	720	–
Other financial assets – unlisted investment	(5,746)	–	(9,560)	–
Other financial assets – unlisted equity investment	515	–	873	–
Sundry income	3,188	1,264	6,573	5,807
	<u>12,734</u>	<u>24,602</u>	<u>55,873</u>	<u>97,917</u>

Administrative and other operating expenses

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

Other operating expenses for 3QFY2019 were the provision for impairment of trade receivables amounting to HK\$10.89 million (3QFY2018: Nil).

Administrative and other operating expenses increased by 15% from HK\$114.49 million in 3QFY2018 to HK\$131.78 million in 3QFY2019. The increase was mainly attributable to increase in research and development expenses, staff costs, business development expenses and provision for impairment of trade receivable due to business expansion of the Group.

Finance costs

Finance costs increased from HK\$76.42 million in 3QFY2018 to HK\$89.01 million in 3QFY2019. The increase was mainly due to the increase of the average balance of borrowings in 3QFY2019 as compared to 3QFY2018, which was a result of the issuance of the third tranche of RMB-denominated corporate bonds of RMB700 million in January 2019.

Income tax

Income tax in 3QFY2019 increased by 34% from HK\$45.38 million in 3QFY2018 to HK\$60.79 million in 3QFY2019. The increase in income tax was in line with the increase in profit before tax in 3QFY2019.

Consolidated Statement of Financial Position

Assets

The total assets of the Group increased from HK\$19.58 billion as at 31 December 2018 to HK\$20.92 billion as at 30 September 2019, representing a growth of 7%. The increase in total assets was mainly attributable to the net effect of (i) the increase in contract assets, intangible assets, trade and other receivables and other financial assets; and (ii) the decrease in cash and cash equivalents and fixed deposit with maturity period of over three months.

Contract assets (including both current and non-current) increased from HK\$13.15 billion as at 31 December 2018 to HK\$14.32 billion as at 30 September 2019, representing an increase of HK\$1.17 billion, while intangible assets increased from HK\$1.54 billion as at 31 December 2018 to HK\$1.60 billion as at 30 September 2019, representing an increase of HK\$65.49 million. 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 sponge city construction project, the water supply project and other river-basin ecological restoration projects during 9MFY2019.

Trade and other receivables (including both current and non-current) of the Group increased from HK\$1.18 billion as at 31 December 2018 to HK\$1.67 billion as at 30 September 2019. Among them, trade receivables increased by HK\$222.14 million from HK\$721.28 million as at 31 December 2018 to HK\$943.42 million as at 30 September 2019, which was mainly due to (i) the increase in operation income as several projects completed construction and commenced operation during 9MFY2019; and (ii) 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 HK\$268.41 million from HK\$463.02 million as at 31 December 2018 to HK\$731.43 million as at 30 September 2019, which was mainly driven by the increase in prepayments for construction works and tender deposits.

Other financial assets as at 30 September 2019 amounted to HK\$425.16 million which comprised unlisted investment of HK\$397.77 million and unlisted equity investment of HK\$27.39 million. The unlisted investments as at 30 September 2019 were wealth management products issued by financial institutions in Hong Kong. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

Liabilities

Total borrowings (including both current and non-current) increased by HK\$558.65 million. The increase was mainly due to the issuance of corporate bonds with net proceeds amounting to HK\$804.24 million and new bank loans amounting to approximately HK\$2,360.68 million, offset by repayment of bank and other loans amounting to HK\$2,477.21 million in 9MFY2019 with the effect of exchange differences of borrowings.

Increase of HK\$165.82 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 HK\$522.95 million as at 30 September 2019, representing a decrease of HK\$141.73 million from HK\$664.69 million as at 31 December 2018. 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 HK\$9.19 billion as at 30 September 2019 (31 December 2018: HK\$8.66 billion). The increase was mainly due to the followings: (i) recognition of profit amounting to HK\$646.98 million in 9MFY2019; (ii) foreign currency translation losses of HK\$333.52 million arising from depreciation of RMB against HK\$; (iii) the decrease of HK\$114.80 million in equity due to payment of 2018 final dividend and declaration of 2019 interim dividend in 9MFY2019; (iv) the increase of HK\$299.23 million in equity due to the issue of shares under the global offering; and (v) capital contribution of HK\$29.51 million by a non-controlling shareholder of a subsidiary during 9MFY2019.

Consolidated Statement of Cash Flows

Cash and cash equivalents decreased from HK\$1.71 billion as at 31 December 2018 to HK\$1.37 billion as at 30 September 2019. Cash and cash equivalents included in the consolidated statement of cash flows is reconciled as follows:

	30 September 2019 HK\$'000	31 December 2018 HK\$'000
Cash and cash equivalents per consolidated statement of financial position	1,392,586	1,728,573
Less: Pledged bank deposits	<u>(22,477)</u>	<u>(21,702)</u>
Cash and cash equivalents per consolidated statement of cash flows	<u>1,370,109</u>	<u>1,706,871</u>

Cash flows from operating activities

The Group had cash inflow of HK\$386.81 million before working capital changes during 3QFY2019 (3QFY2018: HK\$296.53 million). Changes in working capital and payment of income tax resulted in cash outflow of HK\$680.20 million and HK\$30.57 million respectively. As a result, the Group recorded a net cash outflow of HK\$323.96 million from operating activities in 3QFY2019 (3QFY2018: HK\$356.35 million). The changes in working capital arose mainly from:

- (i) the increase in contract assets by HK\$551.24 million;
- (ii) the increase in inventories by HK\$42.38 million;
- (iii) the increase in trade and other receivables by HK\$149.14 million; and
- (iv) the increase in trade and other payables by HK\$62.57 million.

Cash flows from investing activities

In 3QFY2019, the Group recorded a net cash inflow of HK\$223.57 million from investing activities. The net cash inflow mainly arose from:

- (i) the decrease in fixed deposits with maturity period of over three months and restricted balances in financial institutions of HK\$253.95 million; and
- (ii) the payment for purchase of intangible assets of HK\$33.75 million.

Cash flows from financing activities

The Group recorded a net cash outflow from financing activities of HK\$300.51 million in 3QFY2019. The net cash outflow was caused by:

- (i) the net repayment of bank and other loans of HK\$134.23 million; and
- (ii) the payment of interest of HK\$164.65 million.

Subsequent events

On 4 November 2019, the Company entered into a project agreement with, *inter alia*, the Eastern New Area Development Service Centre of Licheng District, Ji'nan City relating to Ji'nan Tangye New Area Waste Water Treatment Plant Public-Private Partnership Project (the "Project"). The total investment amount of the Project is expected to be approximately RMB313 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.

Following the tightening of regulations on environmental protection and rising demand for ecological protection in recent years, the water industry has gradually transformed from focusing on "growing in scale" to "enhancing its quality and efficiency". In 3QFY2019, the Group not only solidified its markets but also proactively explored new areas in the industry chain. By developing a mechanism that synchronises investment, subsidy and tariff for water projects, the Group has applied its first "market-oriented" operation model to an industrial park waste water treatment project.

Regarding the future development of the water industry, it is expected that certain areas, such as: industrial waste water treatment in industrial parks, sludge treatment and disposal, water plant and pipeline integration, and the mixed-ownership reform of local state-owned water enterprises, will become new development trends. Meanwhile, the asset-light business areas, such as: project planning and design, engineering consultancy, and technical services, have also gradually formed a major direction of future development for companies engaging in the domestic water environment management sector.

Over years of development and exploration, the Group has grown its businesses from municipal waste water treatment to a full-fledged business coverage, including raw water protection, water supply, industrial waste water treatment and river-basin ecological restoration, which offers a more comprehensive range of business scope. The Group's business model portfolio has also expanded from investment and operation to a full industry chain, including planning and design, consultancy, technological research and development, engineering construction, operation and management, and so on. Moving forward, the Group will apply such "parallel strategies" on its business planning, with the aim of becoming a comprehensive water enterprise with unique advantages.

11. Dividend

(a) *Current financial period reported on*

Any dividend declared for the current financial period reported?

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 and the reasons for the decision.**

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

The Company has adopted a dividend policy, which serves as a guideline on the distribution of dividends to the Shareholders, and sets out the principles that the Board shall take into account when considering whether the Company should declare or recommend a dividend distribution. 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 the 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 3QFY2019 and 9MFY2019 are set out as follows:

3QFY2019:

Name of interested person	Aggregate value of all IPTs during 3QFY2019 (excluding transactions less than SGD100,000 and transactions conducted under the IPT Mandate)	Aggregate value of all IPTs conducted under the IPT Mandate during 3QFY2019 (excluding transactions less than SGD100,000)
China Everbright International Limited	Nil	HK\$1,933,732 (equivalent to SGD342,690)

9MFY2019:

Name of interested person	Aggregate value of all IPTs during 9MFY2019 (excluding transactions less than SGD100,000 and transactions conducted under the IPT Mandate)	Aggregate value of all IPTs conducted under the IPT Mandate during 9MFY2019 (excluding transactions less than SGD100,000)
China Everbright International Limited	Nil	HK\$11,928,469 (equivalent to SGD2,113,927)
China Everbright Bank Company Limited	Nil	HK\$1,433,386 (equivalent to SGD254,020)
Everbright Securities Company Limited	Nil	HK\$8,855,375 (equivalent to SGD1,569,323)
Sun Life Everbright Life Insurance Co., Ltd.	Nil	HK\$1,102,511 (equivalent to SGD195,384)

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

Under the global offering which was completed on 8 May 2019, the Company had allotted and issued 103,970,000 ordinary shares (of which the aggregate nominal value is HK\$103,970,000) at an offer price of HK\$2.99 per ordinary share and raised HK\$310.87 million in total gross proceeds. The net proceeds from the global offering amounted to approximately HK\$248.61 million after deduction of related expenses of approximately HK\$62.26 million (the “Net Proceeds”).

The following table sets out the breakdown of the use of Net Proceeds from the global offering as at the date of this announcement:

	Amount Allocated <i>HK\$'000</i>	Amount Utilised <i>HK\$'000</i>	Balance <i>HK\$'000</i>
1 Expanding the Group’s market share in the PRC water industry and diversifying the Group’s project portfolio and creating synergies	211,321	211,321	–
2 Enhancing the Group’s core technologies through innovation research and development initiatives and acquisitions of advanced technologies	24,861	–	24,861
3 Working capital and other general corporate purposes	12,431	12,431	–
	<hr/>	<hr/>	<hr/>
Total	<u>248,613</u>	<u>223,752</u>	<u>24,861</u>

Approximately HK\$211.32 million allocated for expanding the market share in the PRC water industry and diversifying the project portfolio and creating synergies had been utilised for capital injection into the project companies for the construction and operation of Jiangsu Yangzhou Jiangdu Development Zone Industrial Waste Water Centralised Pre-treatment and Ancillary Pipeline Network Project, Shandong Laiyang Economic Development Zone Water Environment Management Public-Private Partnership Project, Shandong Zibo Zhangdian East Chemical Industry Park Industrial Waste Water Treatment Project, Shandong Ji'nan East Station Area Underground Waste Water Treatment Project, the relocation and expansion of Zibo Waste Water Treatment Project (Northern Plant) and expansion of Nanjing Pukou Waste Water Treatment and Reusable Water Plant Project Phase II.

The amount allocated for working capital and other general corporate purposes had been utilised for the payment of normal operational expenses such as staff costs, legal and professional fees, rental expenses and other operating expenses.

The above utilisation is in general in accordance with the intended use of the Net Proceeds and percentage allocated, as stated in the Company's prospectus for the global offering dated 24 April 2019. The Company expects to utilise the remaining balance of the Net Proceeds of approximately HK\$24.86 million by the end of year 2020.

The Company will continue to update in periodic announcements on the utilisation of the balance of the Net Proceeds from the global offering as and when the use of the Net Proceeds are materially changed and provide a status report on such use in its annual report, interim report and its quarterly, half-year, and full year financial results announcements.

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.