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## **CHINA EVERBRIGHT INTERNATIONAL LIMITED**

**中國光大國際有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 257)**

### **INSIDE INFORMATION – RESULTS ANNOUNCEMENT OF A SUBSIDIARY**

This announcement is made by China Everbright International Limited (the “Company”) pursuant to Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Pursuant to Rule 705 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX”), China Everbright Water Limited (“CEWL”), a public company listed on the SGX and a 75.24%-owned subsidiary of the Company, announced the unaudited financial results of CEWL and its subsidiaries for the financial year ended 31 December 2018 on the website of SGX at [www.sgx.com](http://www.sgx.com) on 20 February 2019.

The attachment is the results announcement of CEWL presented in thousands of Hong Kong dollars unless otherwise stated. The English version of the results announcement shall prevail over the Chinese version.

By Order of the Board  
**China Everbright International Limited**  
**Poon Yuen Ling**  
*Company Secretary*

Hong Kong, 20 February 2019

*As at the date of this announcement, the Board comprises: (i) five executive directors, namely Mr. Cai Yunge (Chairman), Mr. Wang Tianyi (Chief Executive Officer), Mr. Wong Kam Chung, Raymond, Mr. Hu Yanguo and Mr. Qian Xiaodong; and (ii) four independent non-executive directors, namely Mr. Fan Yan Hok, Philip, Mr. Mar Selwyn, Mr. Zhai Haitao and Mr. Suo Xuquan.*

## CHINA EVERBRIGHT WATER LIMITED

### FY2018 ANNUAL RESULTS

#### PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS

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 financial year ended 31 December 2018 (“FY2018”).

**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**

	<b>Group</b>		Increase/ (decrease) %
	<b>FY2018</b> <i>HKD'000</i>	FY2017 <i>HKD'000</i>	
Revenue	<b>4,768,318</b>	3,591,633	33%
Direct costs and operating expenses	<b>(3,144,540)</b>	(2,361,046)	33%
<b>Gross profit</b>	<b>1,623,778</b>	1,230,587	32%
Other income	<b>140,583</b>	129,809	8%
Administrative and other operating expenses	<b>(439,564)</b>	(287,021)	53%
Finance income	<b>17,918</b>	12,463	44%
Finance costs	<b>(291,398)</b>	(241,391)	21%
Share of profits of associates	<b>422</b>	158	167%
<b>Profit before tax</b>	<b>1,051,739</b>	844,605	25%
Income tax	<b>(314,984)</b>	(263,812)	19%
<b>Profit for the year</b>	<b>736,755</b>	580,793	27%
<b>Profit attributable to:</b>			
Shareholders of the Company	<b>676,459</b>	513,356	32%
Non-controlling interests	<b>60,296</b>	67,437	(11%)
	<b>736,755</b>	580,793	27%

	<b>Group</b>		Increase/ (decrease)
	<b>FY2018</b>	FY2017	%
	<i>HKD'000</i>	<i>HKD'000</i>	
<b>Profit for the year</b>	<b><u>736,755</u></b>	<u>580,793</u>	27%
Other comprehensive (loss)/income			
<i>Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:</i>			
– Exchange differences on translation of foreign operations	<b>(67,407)</b>	(4,002)	1,584%
<i>Other comprehensive (loss)/income that may 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	<b>(441,728)</b>	591,893	(175%)
Other comprehensive (loss)/income for the year, net of tax	<b>(509,135)</b>	587,891	(187%)
<b>Total comprehensive income for the year</b>	<b><u>227,620</u></b>	<u>1,168,684</u>	(81%)
<b>Total comprehensive income attributable to:</b>			
Shareholders of the Company	<b>195,887</b>	1,070,925	(82%)
Non-controlling interests	<b>31,733</b>	97,759	(68%)
	<b><u>227,620</u></b>	<u>1,168,684</u>	(81%)

Profit before tax are derived after charging the following items:

	<b>Group</b>		Increase/ (decrease)
	<b>FY2018</b>	FY2017	%
	<i>HKD'000</i>	<i>HKD'000</i>	
Depreciation of property, plant and equipment	<b>16,736</b>	14,613	15%
Amortisation of prepaid land lease payments	<b>357</b>	347	3%
Amortisation of intangible assets	<b>72,349</b>	80,119	(10%)
Interest expenses on:			
– Related party bank loan	–	1,238	(100%)
– Other bank and other loans, and corporate bonds	<b>291,398</b>	232,842	25%
– Amounts due to group companies	–	7,311	(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**

	<b>Group</b>		<b>Company</b>	
	<b>31 December 2018 HKD'000</b>	<b>31 December 2017 HKD'000</b>	<b>31 December 2018 HKD'000</b>	<b>31 December 2017 HKD'000</b>
<b>Non-current assets</b>				
Property, plant and equipment	<b>144,779</b>	146,064	<b>18</b>	26
Prepaid land lease payments	<b>5,372</b>	5,974	<b>–</b>	–
	<b>150,151</b>	152,038	<b>18</b>	26
Goodwill	<b>1,242,713</b>	1,259,922	<b>–</b>	–
Intangible assets	<b>1,536,169</b>	1,489,718	<b>–</b>	–
Interests in subsidiaries	<b>–</b>	–	<b>10,741,587</b>	11,700,251
Interests in associates	<b>3,011</b>	1,445	<b>–</b>	–
Service concession financial receivables	<b>11,727,822</b>	10,313,724	<b>–</b>	–
Trade and other receivables	<b>159,259</b>	10,515	<b>–</b>	–
	<b>14,819,125</b>	13,227,362	<b>10,741,605</b>	11,700,277
<b>Current assets</b>				
Inventories	<b>40,436</b>	14,342	<b>–</b>	–
Service concession financial receivables	<b>1,424,161</b>	1,200,539	<b>–</b>	–
Trade and other receivables	<b>1,025,044</b>	805,859	<b>3,663,426</b>	1,834,010
Fixed deposits with original maturity period over three months	<b>547,050</b>	630,403	<b>–</b>	–
Cash and cash equivalents	<b>1,728,573</b>	2,169,414	<b>31,661</b>	27,783
	<b>4,765,264</b>	4,820,557	<b>3,695,087</b>	1,861,793
<b>Total assets</b>	<b>19,584,389</b>	18,047,919	<b>14,436,692</b>	13,562,070

	<b>Group</b>		<b>Company</b>	
	<b>31 December</b>	31 December	<b>31 December</b>	31 December
	<b>2018</b>	2017	<b>2018</b>	2017
	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>
<b>Equity</b>				
Share capital	<b>2,676,062</b>	2,625,642	<b>2,676,062</b>	2,625,642
Reserves	<b>5,307,128</b>	5,231,541	<b>7,093,724</b>	7,346,805
Equity attributable to shareholders of the Company	<b>7,983,190</b>	7,857,183	<b>9,769,786</b>	9,972,447
Non-controlling interests	<b>680,507</b>	684,622	–	–
<b>Total equity</b>	<b><u>8,663,697</u></b>	<u>8,541,805</u>	<b><u>9,769,786</u></b>	<u>9,972,447</u>
<b>Non-current liabilities</b>				
Borrowings	<b>5,440,376</b>	4,728,030	<b>3,511,586</b>	2,077,690
Deferred tax liabilities	<b>1,379,738</b>	1,270,846	–	–
	<b>6,820,114</b>	5,998,876	<b>3,511,586</b>	2,077,690
<b>Current liabilities</b>				
Trade and other payables	<b>1,895,095</b>	1,553,565	<b>102,001</b>	155,531
Borrowings	<b>2,160,400</b>	1,903,722	<b>1,053,319</b>	1,356,402
Tax payable	<b>45,083</b>	49,951	–	–
	<b>4,100,578</b>	3,507,238	<b>1,155,320</b>	1,511,933
<b>Total liabilities</b>	<b><u>10,920,692</u></b>	<u>9,506,114</u>	<b><u>4,666,906</u></b>	<u>3,589,623</u>
<b>Total equity and liabilities</b>	<b><u>19,584,389</u></b>	<u>18,047,919</u>	<b><u>14,436,692</u></b>	<u>13,562,070</u>
<b>Net current assets</b>	<b><u>664,686</u></b>	<u>1,313,319</u>	<b><u>2,539,767</u></b>	<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*

<b>As at 31 December 2018</b>		<b>As at 31 December 2017</b>	
<b>Secured</b>	<b>Unsecured</b>	<b>Secured</b>	<b>Unsecured</b>
<b><i>HKD'000</i></b>	<b><i>HKD'000</i></b>	<b><i>HKD'000</i></b>	<b><i>HKD'000</i></b>
<b>1,062,132</b>	<b>1,098,268</b>	248,881	1,654,841

(ii) *Amounts payable after one year*

<b>As at 31 December 2018</b>		<b>As at 31 December 2017</b>	
<b>Secured</b>	<b>Unsecured</b>	<b>Secured</b>	<b>Unsecured</b>
<b><i>HKD'000</i></b>	<b><i>HKD'000</i></b>	<b><i>HKD'000</i></b>	<b><i>HKD'000</i></b>
<b>1,453,818</b>	<b>3,986,558</b>	2,458,680	2,269,350

### *Details of collateral*

The secured borrowings of the Group as at 31 December 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**

	<b>FY2018</b> <i>HKD'000</i>	<b>FY2017</b> <i>HKD'000</i>
<b>Cash flows from operating activities</b>		
Profit before tax	<b>1,051,739</b>	844,605
<b>Adjustments for:</b>		
Depreciation of property, plant and equipment	<b>16,736</b>	14,613
Amortisation of prepaid land lease payments	<b>357</b>	347
Amortisation of intangible assets	<b>72,349</b>	80,119
Finance costs	<b>291,398</b>	241,391
Interest income	<b>(17,918)</b>	(12,463)
Share of profits of associates	<b>(422)</b>	(158)
Fair value adjustment of contingent consideration	<b>(3,428)</b>	–
Provision for impairment of trade receivables	<b>16,664</b>	–
Loss/(gain) on disposals of items of property, plant and equipment	<b>445</b>	(23)
Effect of foreign exchange rates changes, net	<b>45,559</b>	16,842
	<b>1,473,479</b>	1,185,273
<b>Changes in working capital:</b>		
(Increase)/decrease in inventories	<b>(27,907)</b>	861
Increase in service concession financial receivables	<b>(2,233,287)</b>	(1,915,443)
Increase in trade and other receivables	<b>(421,441)</b>	(173,252)
Increase in trade and other payables	<b>341,840</b>	712,157
<b>Cash used in operations</b>	<b>(867,316)</b>	(190,404)
People's Republic of China ("PRC") income tax paid	<b>(148,331)</b>	(73,856)
<b>Net cash flows used in operating activities</b>	<b>(1,015,647)</b>	(264,260)
<b>Cash flows from investing activities</b>		
Purchase of items of property, plant and equipment	<b>(11,176)</b>	(9,741)
Proceeds from disposal of items of property, plant and equipment	<b>89</b>	581
Payment for additions of intangible assets	<b>(181,134)</b>	(221,411)
Payment for acquisition of subsidiaries, net of cash acquired	<b>(51,494)</b>	–
Capital contribution to an associate	<b>(1,168)</b>	–
Increase in amounts due from an associate	<b>(4,551)</b>	–
Decrease/(increase) in fixed deposits with original maturity period over three months and balances in financial institutions	<b>177,975</b>	(172,755)
Interest received	<b>17,918</b>	12,463
<b>Net cash flows used in investing activities</b>	<b>(53,541)</b>	(390,863)

	<b>FY2018</b> <b>HKD'000</b>	FY2017 HKD'000
<b>Cash flows from financing activities</b>		
Increase/(decrease) in amounts due to intermediate holding companies	4	(79,034)
Decrease in amounts due to fellow subsidiaries	–	(154,928)
New borrowings	<b>3,362,393</b>	3,104,036
Repayment of borrowings	<b>(2,229,213)</b>	(1,592,312)
Capital contribution from a non-controlling shareholder	<b>192</b>	214,798
Increase in pledged bank deposits and restricted bank balance	<b>(22,669)</b>	–
Interest paid	<b>(268,257)</b>	(198,753)
Share issue expenses	<b>(348)</b>	(168)
Dividends paid to shareholders of the Company	<b>(31,687)</b>	(12,348)
Dividends paid to non-controlling shareholders	<b>(28,609)</b>	–
	<hr/>	<hr/>
<b>Net cash flows from financing activities</b>	<b>781,806</b>	1,281,291
	<hr/>	<hr/>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(287,382)</b>	626,168
<b>Cash and cash equivalents at the beginning of the year</b>	<b>2,074,414</b>	1,359,401
<b>Effect of foreign exchange rates changes, net</b>	<b>(80,161)</b>	88,845
	<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the year</b>	<b>1,706,871</b>	<b>2,074,414</b>
	<hr/>	<hr/>



**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**

Group	Attributable to shareholders 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
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
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 year	-	-	-	-	-	-	676,459	676,459	60,296	736,755
Foreign currency translation differences	-	-	(480,572)	-	-	-	-	(480,572)	(28,563)	(509,135)
2017 final dividend declared	-	-	-	-	-	-	(76,920)	(76,920)	-	(76,920)
2018 interim dividend declared	-	-	-	-	-	-	(74,644)	(74,644)	-	(74,644)
Issue of shares pursuant to scrip dividend schemes (Note)	50,420	67,281	-	-	-	-	-	117,701	-	117,701
Share issue expenses	-	(348)	-	-	-	-	-	(348)	-	(348)
Dividends declared to non-controlling shareholders	-	-	-	-	-	-	-	-	(36,040)	(36,040)
Capital contribution from a non-controlling shareholder	-	-	-	-	-	-	-	-	192	192
Transfer to statutory reserve	-	-	-	99,587	-	-	(99,587)	-	-	-
At 31 December 2018	<u>2,676,062</u>	<u>1,333,181</u>	<u>(502,623)</u>	<u>300,386</u>	<u>1,229,302</u>	<u>(2,181)</u>	<u>2,949,063</u>	<u>7,983,190</u>	<u>680,507</u>	<u>8,663,697</u>

*Note:* During the financial year ended 31 December 2018, the Company allotted and issued 50,420,315 new ordinary shares to shareholders who had elected to participate in the scrip dividend schemes.

Attributable to shareholders of the Company

	Share capital <i>HKD'000</i>	Share premium <i>HKD'000</i>	Foreign currency translation reserve <i>HKD'000</i>	Statutory reserve <i>HKD'000</i>	Contributed surplus reserve <i>HKD'000</i>	Other reserves <i>HKD'000</i>	Retained earnings <i>HKD'000</i>	Total <i>HKD'000</i>	Non- controlling interests <i>HKD'000</i>	Total equity <i>HKD'000</i>
<b>Group</b>										
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 year	-	-	-	-	-	-	513,356	513,356	67,437	580,793
Foreign currency translation differences	-	-	557,569	-	-	-	-	557,569	30,322	587,891
2016 final dividend declared	-	-	-	-	-	-	(53,611)	(53,611)	-	(53,611)
Issue of shares pursuant to scrip dividend scheme ( <i>Note</i> )	15,734	26,116	-	-	-	-	-	41,850	-	41,850
Share issue expenses	-	(168)	-	-	-	-	-	(168)	-	(168)
Dividends declared to a non- controlling shareholder	-	-	-	-	-	-	-	-	(21,450)	(21,450)
Capital contributions from non-controlling shareholders	-	-	-	-	-	-	-	-	214,798	214,798
Transfer to statutory reserve	-	-	-	45,164	-	-	(45,164)	-	-	-
At 31 December 2017	<u>2,625,642</u>	<u>1,266,248</u>	<u>(22,051)</u>	<u>200,799</u>	<u>1,229,302</u>	<u>(2,181)</u>	<u>2,559,424</u>	<u>7,857,183</u>	<u>684,622</u>	<u>8,541,805</u>

*Note:* During the financial year ended 31 December 2017, the Company allotted and issued 15,733,870 new ordinary shares to shareholders who had elected to participate in the scrip dividend scheme.

	Share capital <i>HKD'000</i>	Share premium <i>HKD'000</i>	Foreign currency translation reserve <i>HKD'000</i>	Contributed surplus reserve <i>HKD'000</i>	Other reserves <i>HKD'000</i>	Retained earnings <i>HKD'000</i>	Total equity <i>HKD'000</i>
<b>Company</b>							
At 1 January 2018	2,625,642	56,198	(492,810)	7,639,082	64,953	79,382	9,972,447
Profit for the year	-	-	-	-	-	273,278	273,278
Foreign currency translation differences	-	-	(441,728)	-	-	-	(441,728)
2017 final dividend declared	-	-	-	-	-	(76,920)	(76,920)
2018 interim dividend declared	-	-	-	-	-	(74,644)	(74,644)
Issue of shares pursuant to scrip dividend schemes	50,420	67,281	-	-	-	-	117,701
Share issue expenses	-	(348)	-	-	-	-	(348)
At 31 December 2018	<b>2,676,062</b>	<b>123,131</b>	<b>(934,538)</b>	<b>7,639,082</b>	<b>64,953</b>	<b>201,096</b>	<b>9,769,786</b>
At 1 January 2017	2,609,908	30,250	(1,084,703)	7,639,082	64,953	77,524	9,337,014
Profit for the year	-	-	-	-	-	55,469	55,469
Foreign currency translation differences	-	-	591,893	-	-	-	591,893
2016 final 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 31 December 2017	<b>2,625,642</b>	<b>56,198</b>	<b>(492,810)</b>	<b>7,639,082</b>	<b>64,953</b>	<b>79,382</b>	<b>9,972,447</b>

**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 year reported on and as at the end of the immediately preceding financial year**

	<b>No. of ordinary shares issued ( '000)</b>
At 31 December 2017	2,625,642
Shares issued pursuant to scrip dividend schemes	<u>50,420</u>
At 31 December 2018	<u><u>2,676,062</u></u>

The Company did not have any outstanding convertibles, preference shares or treasury shares as at 31 December 2018 and 31 December 2017. The increase in the Company's share capital during the year was due to the issue of 24,411,431 shares and 26,008,884 shares pursuant to the scrip dividend scheme in June and October 2018 respectively.

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

	<b>31 December 2018</b>	31 December 2017
Total number of issued shares excluding treasury shares ( '000)	<u><u>2,676,062</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 auditors.

**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 year 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>
<b>Financial assets</b>			
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 original 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>
<b>Financial liabilities</b>			
Financial liabilities included in trade and other payables	1,493,486	-	1,493,486
Borrowings	<u>6,631,752</u>	-	<u>6,631,752</u>
	<u>8,125,238</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>	<b>Retained earnings</b> <i>HK\$'000</i>
At 1 January 2018 (originally stated)		<b>2,559,424</b>
Remeasurement upon initial application of IFRS 9	<i>(i)</i>	<u><b>(35,669)</b></u>
At 1 January 2018 (restated)		<u><b>2,523,755</b></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 year reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

<b>Basic/diluted earnings per share</b>	<b>FY2018</b>	<b>FY2017</b>
Profit attributable to shareholders of the Company ( <i>HKD'000</i> )	<b>676,459</b>	513,356
Weighted average number of ordinary shares in issue ( <i>'000</i> )	<b>2,644,322</b>	2,618,228
Basic/diluted earnings per share ( <i>HKD</i> )	<u><b>0.256</b></u>	<u>0.196</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 year reported on; and (b) immediately preceding financial year.**

	<b>Group</b>		<b>Company</b>	
	<b>31 December 2018</b>	<b>31 December 2017</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
	<i>HKD</i>	<i>HKD</i>	<i>HKD</i>	<i>HKD</i>
<b>Net asset value per ordinary share based on the issued share capital as at the end of the respective year</b>	<u><b>2.98</b></u>	<u>2.99</u>	<u><b>3.65</b></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 year.

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 year 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 year reported on.**

### **Overview**

As one of the leading environmental protection companies in China focusing on water environment management, the Company is principally engaged in sponge city construction, river-basin ecological restoration, waste water treatment, water supply, reusable water, waste water source heat pump, sludge treatment and disposal, leachate treatment, research and development of water environment technologies and engineering construction, etc.



As at 31 December 2018, the Group held 111 projects in total, with a total designed water treatment capacity exceeding 5.0 million m<sup>3</sup>/day, including: 77 projects in operation (including 8 projects in trial run), 1 project completing construction, 9 projects under construction and 7 projects in preparatory stage in the area of waste water treatment; 1 project in operation, 2 projects under construction and 3 projects in preparatory stage in the area of water environment treatment; 2 projects under construction and 1 project in preparatory stage in the area of water supply; 4 projects in operation and 1 project in preparatory stage in the area of reusable water; 1 leachate treatment project in preparatory stage; and 2 waste water source heat pump projects in operation. During FY2018, the Group treated an aggregate of 1,271,248,000 m<sup>3</sup> of waste water (FY2017: 1,187,615,000 m<sup>3</sup>).

In FY2018, the revenue of the Group increased by 33% to HKD4.77 billion compared with the revenue of HKD3.59 billion in FY2017. Gross profit of the Group increased from HKD1.23 billion in FY2017 to HKD1.62 billion in FY2018, representing an increase of 32%. The profit of the Group increased from HKD580.79 million in FY2017 to HKD736.76 million in FY2018, representing a rise of 27%. The profit attributable to shareholders of the Company in FY2018 amounted to HKD676.46 million, which increased by 32% over FY2017. The increase was mainly due to the significant growth in revenue driven by continual expansion of the business. Thus, earnings per share increased by 31% to HKD0.256 in FY2018.

## **Consolidated Statement of Comprehensive Income**

### *Revenue*

Revenue increased by 33% from HKD3.59 billion in FY2017 to HKD4.77 billion in FY2018. The increase was attributable to the increase of HKD698.92 million in construction revenue, HKD358.26 million in operation revenue and HKD119.51 million in finance income. The increase in construction revenue was mainly attributable to construction of the sponge city project and the water supply projects in addition to the expansion and upgrading of several waste water treatment plants which were under construction during FY2018. The increase in operation revenue was the result of (i) commencement of operation of new projects during FY2018; (ii) tariff hikes for several projects effected during FY2018; and (iii) recognition of one-off income of HKD75.16 million arising from retrospective tariff adjustment in relation to two waste water treatment projects in FY2018. 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 33% from HKD2.36 billion in FY2017 to HKD3.14 billion in FY2018. The increase was mainly due to the increase in construction cost arising from the increased construction services, which contributed to a construction revenue of HKD2.81 billion in FY2018 as compared to HKD2.11 billion in FY2017.

### *Gross profit margin*

Overall gross profit margin in FY2018 remained 34% (FY2017: 34%) as the portion of construction revenue recognised in the mix of the total revenue in FY2018 remained the same as compared with FY2017. 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. Comparing with FY2017, the proportion of construction revenue to total revenue remained approximately 59% (FY2017: 59%). Therefore, there was no change in the overall gross profit margin.

### *Other income*

Other income increased by 8% to HKD140.58 million in FY2018 as compared with HKD129.81 million in FY2017. Other income mainly consisted of value-added tax (“VAT”) refund, government grants and other sundry income. The increase in other income was mainly due to the rise in government grants and sundry income. The breakdown of other income was set out below.

	<b>FY2018</b> <b><i>HKD'000</i></b>	FY2017 <i>HKD'000</i>
VAT refund	<b>98,609</b>	114,049
Government grants	<b>23,857</b>	11,422
Fair value adjustment of contingent consideration receivable	<b>3,428</b>	–
Sundry income	<b>14,689</b>	4,338
	<b><u>140,583</u></b>	<u>129,809</u>

### *Administrative and other operating expenses*

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

Other operating expenses for FY2018 were the provision of impairment of trade receivables amounting to HKD16.66 million. Other operating expenses for FY2017 were the tax expenses of HKD21.96 million relating to the payment of contingent consideration for acquisition of Dalian Dongda Water Co., Ltd.

Administrative and other operating expenses increased by 53% from HKD287.02 million in FY2017 to HKD439.56 million in FY2018. 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.

Administrative expenses for FY2018 included, *inter alia*, net loss on disposal of property, plant and equipment of HKD0.45 million (FY2017: net gain of HKD0.02 million).

### *Finance costs*

Finance costs increased from HKD241.39 million in FY2017 to HKD291.40 million in FY2018. The increase was mainly due to the increase of the average balance of borrowings in FY2018 as compared to FY2017.

### *Income tax*

Income tax in FY2018 increased by 19% from HKD263.81 million in FY2017 to HKD314.98 million in FY2018. The increase in income tax was in line with the increase in profit before tax in FY2018. Income tax for FY2018 included, *inter alia*, HKD4.16 million (FY2017: HKD3.59 million) of under provision of income tax in respect of prior years.

## Consolidated Statement of Financial Position

### *Assets*

The total assets of the Group increased from HKD18.05 billion as at 31 December 2017 to HKD19.58 billion as at 31 December 2018, representing a growth of 9%. 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 HKD13.15 billion as at 31 December 2018, representing an increase of HKD1.64 billion, while intangible assets increased from HKD1.49 billion as at 31 December 2017 to HKD1.54 billion as at 31 December 2018, representing an increase of HKD46.45 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 projects and other water environment treatment projects during FY2018.

Trade and other receivables (including both current and non-current) of the Group increased from HKD816.37 million as at 31 December 2017 to HKD1.18 billion as at 31 December 2018. Among them, trade receivables increased by HKD307.50 million from HKD413.78 million as at 31 December 2017 to HKD721.28 million as at 31 December 2018, which was due to: (i) increase in operation revenue from waste water treatment and reusable water business during FY2018; (ii) increase in trade receivables arising from the acquisition of Xuzhou Engineering Design Institute; and (iii) commencement of operation of a few water environment treatment projects during the year. Despite the increase in the balance of trade receivables, the proportion of trade receivables past due over one year as at 31 December 2018 dropped substantially compared with that as at 31 December 2017. Other receivables (including both current and non-current) increased by HKD60.43 million from HKD402.60 million as at 31 December 2017 to HKD463.02 million as at 31 December 2018, which was mainly driven by the increase in 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 HKD969.02 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 FY2018, the receipt of proceeds from borrowings amounted to approximately HKD3.36 billion, which was offset by repayments made for borrowings amounting to HKD2.23 billion with the effect of exchange differences of borrowings.

Increase of HKD341.53 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 HKD664.69 million as at 31 December 2018, representing a decrease of HKD648.63 million from HKD1.31 billion as at 31 December 2017. The decrease in the net current asset was primarily due to the increase in construction payables and the 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 HKD8.66 billion as at 31 December 2018 (31 December 2017: HKD8.54 billion). The increase was mainly due to the followings: (a) decrease of HKD35.67 million in equity upon adoption of IFRS 9; (b) recognition of profit amounting to HKD736.76 million in FY2018; (c) foreign currency translation loss of HKD509.14 million arising from the depreciation of RMB against HKD in FY2018; (d) the decrease of HKD34.21 million in equity due to declaration and payment of 2017 final dividend and 2018 interim dividend in FY2018; (e) capital contribution of HKD0.19 million by a non-controlling shareholder of a subsidiary during FY2018; and (f) the decrease of HKD36.04 million due to distribution of dividends to non-controlling shareholders of subsidiaries during FY2018.

## Consolidated Statement of Cash Flows

Cash and cash equivalents decreased from HKD2.07 billion as at 31 December 2017 to HKD1.71 billion as at 31 December 2018. Cash and cash equivalents included in the consolidated statement of cash flows is reconciled as follows:

	<b>31 December 2018 HKD'000</b>	31 December 2017 HKD'000
Cash and cash equivalents per consolidated statement of financial position	<b>1,728,573</b>	2,169,414
Less: Pledged bank deposits and restricted bank balance	<b>(21,702)</b>	–
Balances in financial institutions	–	(95,000)
	<hr/>	<hr/>
Cash and cash equivalents per consolidated statement of cash flows	<b><u>1,706,871</u></b>	<b><u>2,074,414</u></b>

### *Cash flows from operating activities*

The Group had cash inflow of HKD1.47 billion before working capital changes during FY2018 (FY2017: HKD1.19 billion). Changes in working capital and payment of income tax resulted in cash outflow of HKD2.34 billion and HKD148.33 million respectively. As a result, the Group recorded a net cash outflow of HKD1.02 billion from operating activities. The changes in working capital arose mainly from:

- (a) increase in inventories by HKD27.91 million;
- (b) increase in service concession financial receivables by HKD2.23 billion;
- (c) increase in trade and other receivables by HKD421.44 million; and
- (d) increase in trade and other payables by HKD341.84 million.

*Cash flows from investing activities*

In FY2018, the Group recorded a net cash outflow of HKD53.54 million from investing activities. The cash outflow mainly arose from:

- (a) payment for purchase of items of property, plant and equipment of HKD11.18 million;
- (b) payment for additions of intangible assets of HKD181.13 million;
- (c) payment for acquisition of subsidiaries (net of cash acquired) of HKD51.49 million;
- (d) payment for capital contribution to an associate of HKD1.17 million;
- (e) increase in amounts due from an associate of HKD4.55 million;
- (f) decrease in fixed deposits with original maturity period over three months and balances in financial institutions of HKD177.98 million; and
- (g) receipt of interest of HKD17.92 million.

*Cash flows from financing activities*

The Group recorded a net cash inflow from financing activities of HKD781.81 million in FY2018. The net cash inflow was mainly caused by:

- (a) receipt of net proceeds from borrowings of HKD1.13 billion;
- (b) capital contribution from a non-controlling shareholder of a subsidiary of HKD0.19 million;
- (c) increase in pledged bank deposits and restricted bank balance of HKD22.67 million;
- (d) payment of interest of HKD268.26 million;
- (e) expenses of HKD0.35 million paid in connection with the issue of shares pursuant to the scrip dividend scheme;
- (f) dividends paid to shareholders of the Company of HKD31.69 million; and
- (g) dividends paid to non-controlling shareholders of subsidiaries of HKD28.61 million.

## **Subsequent events**

On 21 January 2019, the Company completed the issuance of the third tranche of the corporate bonds with principal amount of RMB700 million, with a maturity period of five years. The interest rate of the third tranche of the corporate bonds is 3.89 per cent. The proceeds from the issue of the third tranche of corporate bonds are used for replenishment of the general working capital of the subsidiaries of the Company.

**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.**

Amid the volatile macro-environment, cooling down of the capital market and tightening of industry regulations and enforcement in 2018, the Group, however, still maintained a good development momentum during the year and solidified its market positions in the areas of waste water treatment, water environment treatment, reusable water, among others. It secured 15 new projects and entered into 4 supplementary agreements for the existing projects, which command a total investment of approximately RMB3.579 billion. In addition, the Group progressively carried out its project construction works that 9 projects commenced construction and 9 projects completed construction and commenced operations. Looking back at the year, the Group explored opportunities and made good progress in enhancing its core technology industrial chain, including the establishment of a joint-venture company in Germany, namely E+B Umwelttechnik GmbH, as well as the acquisition of Xuzhou Engineering Design Institute. In respect of its capital market strategy, the Group submitted the application for dual primary listing on the Main Board of The Stock Exchange of Hong Kong Limited in August 2018, with an aim of attracting different investors, expanding its shareholder base and promoting the long-term business development. Separately, the Company completed the issuance of the second tranche of its RMB-denominated bonds with an aggregate principal amount of RMB800 million, which helped improve its financing structure and control its financing cost.



Following the promulgation and implementation of various key policies on environmental protection in the recent years, the State Council of China announced a battle for blue skies, clear water and clean soil in 2018. This was to enhance the country’s efforts in protecting ecology and environment and to formalize the concrete goals to be achieved by 2020. Additionally, the Chinese central government launched its second round of environmental supervision and inspection in 2019. This shows the government’s efforts to continue tightening the regulatory and enforcement framework of the environmental protection industry. All these policies and regulatory trends provide clearer directions and more stringent regulatory guidance for future industry growth, from the water environment management sector to the environmental protection industry in general.

The Group believes that the water environment management sector will continue its rapid growth. In 2019, the Group will firmly adhere to its development philosophy of “Taking Quality as the Top Mission, Keeping Efficiency as the Priority, and Pursuing Growth in Business Scale”, continue establishing its core technological advantages and proactively develop new business areas and models. On top of that, the Group will gradually improve the level of intelligence in operations management, make good use of various investment and financing channels, seize development opportunities as appropriate. In a rapidly changing market environment, the Group will continue stable growth and seek for opportunities to foster its strengths and achieve excellence.

## 11. Dividend

(a) *Current financial year reported on*

Any dividend recommended for the current financial year reported on? Yes

<b>Name of dividend</b>	Proposed Final
<b>Dividend type</b>	Cash/Scrip (based on shareholder’s election)
<b>Dividend amount</b>	SGD0.0050 per ordinary share
<b>Tax rate</b>	One-tier tax exempt

China Everbright Water Limited Scrip Dividend Scheme will be applicable to the FY2018 final one-tier tax exempt dividend.

(b) *Immediately preceding financial year*

Any dividend declared for the immediately preceding financial year? Yes

<b>Name of dividend</b>	Final
<b>Dividend type</b>	Cash/Scrip (based on shareholder's election)
<b>Dividend amount</b>	SGD0.0049 per ordinary share
<b>Tax rate</b>	One-tier tax exempt

(c) *Date payable*

The directors have recommended a final dividend of SGD0.0050 per ordinary share, one-tier tax exempt, for FY2018 for approval by shareholders at the forthcoming annual general meeting to be convened in April 2019. Details on payment of cash dividend/crediting of shares will be announced in due course.

(d) *Books closure date*

Details on closure of books will be announced in due course.

**12. If no dividend has been declared/recommended, a statement to that effect.**

Not applicable.

- 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 FY2018 are set out as follows:

<b>Name of interested person</b>	<b>Aggregate value of all IPTs during FY2018 (excluding transactions less than SGD100,000 and transactions conducted under the IPT Mandate)</b>	<b>Aggregate value of all IPTs conducted under the IPT Mandate (excluding transactions less than SGD100,000)</b>
China Everbright International Limited	HKD3,906,414 (equivalent to SGD672,303)	HKD68,573,715 (equivalent to SGD11,801,689)
China Everbright Securities Company Limited	Nil	HKD6,350,728 (equivalent to SGD1,092,974)
Sun Life Everbright Life Insurance Co., Ltd	Nil	HKD1,462,572 (equivalent to SGD251,712)

**PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT**

**(This part is not applicable to Q1, Q2, Q3 and Half Year Results)**

- 14. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer’s most recently audited annual financial statements, with comparative information for the immediately preceding year.**

Not applicable. The Group has only one operating segment.

**15. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

Not applicable.

**16. A breakdown of revenue**

	<b>FY2018</b>	FY2017	Increase/ (decrease)
	<i>HKD'000</i>	<i>HKD'000</i>	%
Revenue reported for the first half year	<b>2,360,475</b>	1,642,770	44%
Profit for the first half year	<b>400,772</b>	288,639	39%
Revenue reported for the second half year	<b>2,407,843</b>	1,948,863	24%
Profit for the second half year	<b>335,983</b>	292,154	15%

**17. A breakdown of the total annual dividend (in dollar value) for the issuers' latest full year and its previous full year.**

	<b>FY2018</b>	FY2017
	<i>HKD'000</i>	<i>HKD'000</i>
Interim one-tier tax exempt dividend of SGD0.0049 per ordinary share (2017: Nil)	<b>74,644</b>	–
Recommended final one-tier tax exempt dividend of SGD0.0050 per ordinary share (2017: SGD0.0049)	<b>77,219</b>	76,920
	<b><u>151,863</u></b>	<u>76,920</u>

**18. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement:**

There is no person occupying a managerial position in the Company or its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the Company for the financial years ended 31 December 2018 and 31 December 2017.

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

Not applicable.

**20. 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.

**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 financial year ended 31 December 2018 to be false or misleading in any material aspect.*

**BY ORDER OF THE BOARD**

**An Xuesong**

*Executive Director and Chief Executive Officer*

20 February 2019