

CHINA EVERBRIGHT WATER LIMITED

FY2017 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 2017 (“FY2017”).

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) %
	FY2017 <i>HKD'000</i>	FY2016 <i>HKD'000</i>	
Revenue	3,591,633	2,494,037	44%
Cost of sales	<u>(2,361,046)</u>	<u>(1,588,385)</u>	49%
Gross profit	1,230,587	905,652	36%
Other income	129,809	127,666	2%
Administrative and other operating expenses	<u>(287,021)</u>	<u>(298,250)</u>	(4%)
Results from operating activities	1,073,375	735,068	46%
Finance income	12,463	7,631	63%
Finance costs	<u>(241,391)</u>	<u>(205,223)</u>	18%
Share of result of an associate	158	–	NM
Profit before tax	844,605	537,476	57%
Income tax expense	<u>(263,812)</u>	<u>(164,861)</u>	60%
Profit for the year	<u>580,793</u>	<u>372,615</u>	56%
Profit attributable to:			
Shareholders of the Company	513,356	349,343	47%
Non-controlling interests	<u>67,437</u>	<u>23,272</u>	190%
	<u>580,793</u>	<u>372,615</u>	56%

	Group		Increase/ (decrease) %
	FY2017 <i>HKD'000</i>	FY2016 <i>HKD'000</i>	
Profit for the year	580,793	372,615	56%
Other comprehensive income for the year <i>Item that may be reclassified subsequently to profit or loss</i>			
– Foreign currency translation differences	<u>587,891</u>	<u>(598,600)</u>	NM
Total comprehensive income for the year	<u>1,168,684</u>	<u>(225,985)</u>	NM
Total comprehensive income attributable to:			
Shareholders of the Company	1,070,925	(228,390)	NM
Non-controlling interests	<u>97,759</u>	<u>2,405</u>	NM
	<u>1,168,684</u>	<u>(225,985)</u>	NM

Results from operating activities are derived after charging the following items:

	Group		Increase/ (decrease) %
	FY2017 <i>HKD'000</i>	FY2016 <i>HKD'000</i>	
Depreciation of property, plant and equipment	14,960	14,986	0%
Amortisation of intangible assets	80,119	86,290	(7%)
Interest expenses on:			
– Related party bank borrowing	1,238	2,362	(48%)
– Other bank borrowings and corporate bond	232,842	192,327	21%
– Amounts due to group companies	7,311	10,534	(31%)

NM: *Not meaningful*

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

	Group		Company	
	31 December	31 December	31 December	31 December
	2017	2016	2017	2016
	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>
Non-current assets				
Property, plant and equipment	152,038	147,971	26	31
Intangible assets	1,489,718	1,259,449	–	–
Goodwill	1,259,922	1,185,478	–	–
Interests in subsidiaries	–	–	11,700,251	9,190,573
Interest in an associate	1,445	1,327	–	–
Other receivables	10,515	9,863	–	–
Service concession financial receivables	10,313,724	8,179,732	–	–
	13,227,362	10,783,820	11,700,277	9,190,604
Current assets				
Inventories	14,342	14,323	–	–
Trade and other receivables	805,859	588,739	1,834,010	2,096,933
Service concession financial receivables	1,200,539	791,609	–	–
Fixed deposit with maturity period over three months	83,125	–	–	–
Cash and cash equivalents	2,716,692	1,902,741	27,783	30,716
	4,820,557	3,297,412	1,861,793	2,127,649
Total assets	18,047,919	14,081,232	13,562,070	11,318,253

	Group		Company	
	31 December	31 December	31 December	31 December
	2017	2016	2017	2016
	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>
Equity				
Share capital	2,625,642	2,609,908	2,625,642	2,609,908
Reserves	5,231,541	4,188,279	7,346,805	6,727,106
Equity attributable to shareholders of the Company	7,857,183	6,798,187	9,972,447	9,337,014
Non-controlling interests	684,622	393,515	–	–
Total equity	<u>8,541,805</u>	<u>7,191,702</u>	<u>9,972,447</u>	<u>9,337,014</u>
Non-current liabilities				
Borrowings	4,728,030	3,366,091	2,077,690	1,203,692
Deferred tax liabilities	1,270,846	1,051,692	–	–
	5,998,876	4,417,783	2,077,690	1,203,692
Current liabilities				
Borrowings	1,903,722	1,521,407	1,356,402	756,892
Trade and other payables	1,553,565	937,238	155,531	20,655
Current tax liabilities	49,951	13,102	–	–
	3,507,238	2,471,747	1,511,933	777,547
Total liabilities	<u>9,506,114</u>	<u>6,889,530</u>	<u>3,589,623</u>	<u>1,981,239</u>
Total equity and liabilities	<u>18,047,919</u>	<u>14,081,232</u>	<u>13,562,070</u>	<u>11,318,253</u>
Net current assets	<u>1,313,319</u>	<u>825,665</u>	<u>349,860</u>	<u>1,350,102</u>

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

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

As at 31 December 2017		As at 31 December 2016	
Secured	Unsecured	Secured	Unsecured
<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>
248,881	1,654,841	116,715	1,404,692

(ii) *Amounts payable after one year*

As at 31 December 2017		As at 31 December 2016	
Secured	Unsecured	Secured	Unsecured
<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>
2,458,680	2,269,350	2,281,066	1,085,025

Details of collateral

The secured borrowings of the Group as at 31 December 2017 and 31 December 2016 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

	FY2017 <i>HKD'000</i>	FY2016 <i>HKD'000</i>
Cash flows from operating activities		
Profit before tax	844,605	537,476
Adjustments for:		
Depreciation of property, plant and equipment	14,960	14,986
Amortisation of intangible assets	80,119	86,290
(Gain)/loss on disposals of property, plant and equipment	(23)	369
Gain on disposal of interest in a subsidiary	–	(402)
Share of result of an associate	(158)	–
Effect of foreign exchange rate changes	16,842	(40,658)
Net finance costs	228,928	197,592
	<hr/>	<hr/>
Operating cash flows before working capital changes	1,185,273	795,653
Changes in working capital:		
Service concession financial receivables	(1,915,443)	(934,982)
Inventories	861	(5,465)
Trade and other receivables	(173,252)	9,868
Trade and other payables	712,157	288,913
	<hr/>	<hr/>
Cash (used in)/generated from operations	(190,404)	153,987
Income tax paid	(73,856)	(133,792)
	<hr/>	<hr/>
Net cash (used in)/generated from operating activities	(264,260)	20,195
	<hr/>	<hr/>
Cash flows from investing activities		
Proceeds from disposal of interest in a subsidiary, net of cash disposed	–	(1,195)
Purchase of property, plant and equipment	(9,741)	(11,864)
Proceeds from disposals of property, plant and equipment	581	87
Purchase of intangible assets	(221,411)	(988)
Increase in fixed deposit with maturity period over three months and balances in financial institutions	(172,755)	–
Interest received	12,463	7,631
	<hr/>	<hr/>
Net cash used in investing activities	(390,863)	(6,329)
	<hr/>	<hr/>

	FY2017 <i>HKD'000</i>	FY2016 <i>HKD'000</i>
Cash flows from financing activities		
Payments of share buy-back	–	(22,489)
Proceeds from borrowings	3,104,036	4,431,374
Repayment of borrowings	(1,592,312)	(4,121,687)
Increase in restricted bank balances	–	(94,734)
(Decrease)/increase in amounts due to intermediate holding companies	(79,034)	3,711
(Decrease)/increase in amounts due to fellow subsidiaries	(154,928)	8,256
Dividend paid to shareholders	(12,348)	(11,877)
Share issue expenses	(168)	–
Interest paid	(198,753)	(205,223)
Capital contributions from non-controlling shareholders	214,798	169,583
Dividends paid to a non-controlling shareholder	–	(14,550)
	<hr/>	<hr/>
Net cash generated from financing activities	1,281,291	142,364
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Net increase in cash and cash equivalents	626,168	156,230
Cash and cash equivalents at the beginning of the year	1,359,401	1,288,550
Effect of exchange rate changes on cash and cash equivalents	88,845	(85,379)
	<hr/>	<hr/>
Cash and cash equivalents at the end of the year	2,074,414	1,359,401
	<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

	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
Group										
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
Final 2016 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.

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>
Group										
At 1 January 2016	2,608,014	1,210,050	(1,887)	121,317	1,243,508	(2,181)	1,882,122	7,060,943	236,077	7,297,020
Profit for the year	-	-	-	-	-	-	349,343	349,343	23,272	372,615
Foreign currency translation differences	-	-	(577,733)	-	-	-	-	(577,733)	(20,867)	(598,600)
Share buy-back	(8,283)	-	-	-	(14,206)	-	-	(22,489)	-	(22,489)
Final 2015 dividend declared	-	-	-	-	-	-	(52,304)	(52,304)	-	(52,304)
Issue of shares pursuant to scrip dividend scheme (<i>Note</i>)	10,177	30,250	-	-	-	-	-	40,427	-	40,427
Capital contributions from non-controlling shareholders	-	-	-	-	-	-	-	-	169,583	169,583
Dividends paid to a non-controlling shareholder	-	-	-	-	-	-	-	-	(14,550)	(14,550)
Transfer to statutory reserve	-	-	-	34,318	-	-	(34,318)	-	-	-
At 31 December 2016	<u>2,609,908</u>	<u>1,240,300</u>	<u>(579,620)</u>	<u>155,635</u>	<u>1,229,302</u>	<u>(2,181)</u>	<u>2,144,843</u>	<u>6,798,187</u>	<u>393,515</u>	<u>7,191,702</u>

Note: During the financial year ended 31 December 2016, the Company allotted and issued 10,177,139 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>
Company							
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
Final 2016 dividend declared	-	-	-	-	-	(53,611)	(53,611)
Issue of shares pursuant to scrip dividend scheme	15,734	26,116	-	-	-	-	41,850
Share issue expenses	-	(168)	-	-	-	-	(168)
	<u>2,625,642</u>	<u>56,198</u>	<u>(492,810)</u>	<u>7,639,082</u>	<u>64,953</u>	<u>79,382</u>	<u>9,972,447</u>
At 31 December 2017							
At 1 January 2016	2,608,014	-	(424,795)	7,653,288	64,953	113,540	10,015,000
Profit for the year	-	-	-	-	-	16,288	16,288
Foreign currency translation differences	-	-	(659,908)	-	-	-	(659,908)
Share buy-back	(8,283)	-	-	(14,206)	-	-	(22,489)
Final 2015 dividend declared	-	-	-	-	-	(52,304)	(52,304)
Issue of shares pursuant to scrip dividend scheme	10,177	30,250	-	-	-	-	40,427
	<u>2,609,908</u>	<u>30,250</u>	<u>(1,084,703)</u>	<u>7,639,082</u>	<u>64,953</u>	<u>77,524</u>	<u>9,337,014</u>
At 31 December 2016							

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

	No. of ordinary shares issued ('000)
At 31 December 2016	2,609,908
Shares issued pursuant to scrip dividend scheme	<u>15,734</u>
At 31 December 2017	<u>2,625,642</u>

The Company did not have any outstanding convertibles, preference shares or treasury shares as at 31 December 2017 and 31 December 2016. The increase in the Company's share capital during the year was due to the issue of 15,733,870 shares pursuant to the scrip dividend scheme in June 2017.

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

	31 December 2017	31 December 2016
Total number of issued shares excluding treasury shares ('000)	<u>2,625,642</u>	<u>2,609,908</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 the audited financial statements for the financial year ended 31 December 2016.

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 2017. 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 year reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

Basic/diluted earnings per share	FY2017	FY2016
Profit attributable to shareholders of the Company (<i>HKD'000</i>)	513,356	349,343
Weighted average number of ordinary shares in issue (<i>'000</i>)	2,618,228	2,605,887
Basic/diluted earnings per share (<i>HKD</i>)	<u>0.196</u>	<u>0.134</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.**

	Group		Company	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	<i>HKD</i>	<i>HKD</i>	<i>HKD</i>	<i>HKD</i>
Net asset value per ordinary share based on the issued share capital as at the end of the respective year	<u>2.99</u>	<u>2.60</u>	<u>3.80</u>	<u>3.58</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, research and development of water environment technologies and engineering construction, etc.

As at 31 December 2017, the Group held 94 projects in total, with a total water treatment capacity of 5.34 million m³/day, including: 68 projects in operation, 5 projects completing construction, 4 projects under construction and 2 projects in preparatory stage in the area of waste water treatment; 4 water environment management projects under construction, which involve sponge city construction and a series of ecological restoration works; 1 water supply project under construction; 5 reusable water projects in operation; 2 waste water source heat pump projects and 2 sludge treatment and disposal projects in operation; in addition to a total of 87 kilometers of pipeline network and 10 pump stations. During FY2017, the Group treated an aggregate of 1,187,615,000 m³ of waste water (FY2016: 1,148,279,000 m³).

In FY2017, the revenue of the Group increased by 44% to HKD3.59 billion compared with the revenue of HKD2.49 billion in FY2016. Gross profit of the Group increased from HKD905.65 million in FY2016 to HKD1.23 billion in FY2017, representing an increase of 36%. The profit of the Group increased from HKD372.62 million in FY2016 to HKD580.79 million in FY2017, representing a rise of 56%. The profit attributable to shareholders of the Company in FY2017 amounted to HKD513.36 million, which increased by 47% over FY2016. The increase was mainly due to the significant growth in revenue driven by continual expansion of the business. Thus, earnings per share increased by 46% to HKD0.196 in FY2017.

Consolidated Statement of Comprehensive Income

Revenue

Revenue increased by 44% from HKD2.49 billion in FY2016 to HKD3.59 billion in FY2017. The increase was attributable to the increase of HKD978.04 million in construction revenue, HKD62.43 million in operation service income and HKD57.12 million in finance income. The increase in construction revenue was mainly attributable to construction of several water environment management projects including the sponge city construction project and the river-basin ecological restoration project in addition to the expansion and upgrading of several waste water treatment plants which were under construction during FY2017. The increase in operation service income was the result of (i) commencement of operation of new projects; and (ii) tariff hikes for several projects during FY2017.

Cost of sales

Cost of sales increased by 49% from HKD1.59 billion in FY2016 to HKD2.36 billion in FY2017. The increase was mainly due to the increase in construction cost arising from the increased construction services, which contributed to a construction revenue of HKD2.11 billion in FY2017 as compared to HKD1.13 billion in FY2016.

Gross profit margin

Overall gross profit margin in FY2017 decreased to 34% (FY2016: 36%), which was mainly due to a larger portion of construction revenue recognised in the mix of the total revenue in FY2017 as compared with FY2016. Construction revenue comprised approximately 59% of total revenue in FY2017 (FY2016: 45%). In general, construction services have lower gross profit margin than operation services, and thus, a larger portion of construction revenue will dilute the overall gross profit margin. However, due to the tariff hikes for several projects during FY2017, the gross profit margin for operation services increased, and thus offset part of the impact of the larger portion of construction revenue.

Other income

Other income increased by 2% to HKD129.81 million in FY2017 as compared with HKD127.67 million in FY2016. 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 VAT refund and government grants.

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 and other taxes.

Administrative and other operating expenses slightly decreased by 4% from HKD298.25 million in FY2016 to HKD287.02 million in FY2017. The decrease was a combined effect of the following factors: (a) non-occurrence of foreign exchange losses arising from borrowings pegged to USD which were incurred in FY2016, (b) increase in business development expenses, research and development expenses and other operating expenses arising from business expansion of the Group in FY2017 and (c) increase in other taxes following the changes in tax interpretations by some local tax bureaus. The foregoing borrowings pegged to USD had been fully repaid by the end of July 2016, and no further foreign exchange losses related to such borrowings were recognised since then.

Finance costs

Finance costs increased from HKD205.22 million in FY2016 to HKD241.39 million in FY2017. The increase was mainly due to the increase of the average balance of borrowings in FY2017 as compared to FY2016.

Income tax expense

Income tax expense in FY2017 increased by 60% from HKD164.86 million in FY2016 to HKD263.81 million in FY2017. The increase in income tax expense was in line with the increase in profit before tax in FY2017.

Consolidated Statement of Financial Position

Assets

The total assets of the Group increased from HKD14.08 billion as at 31 December 2016 to HKD18.05 billion as at 31 December 2017, representing a growth of 28%. The increase in total assets was mainly attributable to the increase of service concession financial receivables, trade and other receivables and cash and cash equivalents.

Service concession financial receivables (including both current and non-current) increased from HKD8.97 billion as at 31 December 2016 to HKD11.51 billion as at 31 December 2017. The increase of HKD2.54 billion in service concession financial receivables was mainly attributable to the recognition of construction revenue for expansion and upgrading projects for several water plants, the sponge city construction project, the river-basin ecological restoration project and several water environment management projects during FY2017.

Trade and other receivables (including both current and non-current) of the Group increased from HKD598.60 million as at 31 December 2016 to HKD816.37 million as at 31 December 2017. The increase is primarily due to increase in other receivables (including both current and non-current) by HKD233.59 million during FY2017, which was driven by the increase in prepayments for construction works, VAT refund receivables, and pending deduct VAT on purchase*.

Liabilities

Total borrowings (including both current and non-current) increased by HKD1.74 billion. The increase was mainly due to the receipt of proceeds from borrowings amounting to approximately HKD3.10 billion, offset by repayment made for borrowings amounting to HKD1.59 billion in FY2017. Foreign exchange differences also had some impacts on the balance of the total borrowings.

Increase of HKD616.33 million in trade and other payables was mainly due to the increase in construction payables.

The Group was in a net current asset position of HKD1.31 billion as at 31 December 2017, representing an increase of HKD487.65 million from HKD825.67 million as at 31 December 2016.

Equity

The Group's total equity amounted to HKD8.54 billion as at 31 December 2017 (31 December 2016: HKD7.19 billion). The increase was mainly due to the followings: (a) recognition of profit amounting to HKD580.79 million in FY2017; (b) recognition of foreign currency translation gains of HKD587.89 million arising from the appreciation of RMB against HKD in FY2017; (c) the decrease of HKD11.93 million in equity due to declaration and payment of 2016 final dividend in FY2017; (d) capital contribution of HKD214.80 million from non-controlling shareholders of subsidiaries in People's Republic of China (the "PRC") during FY2017; and (e) the decrease of HKD21.45 million due to distribution of dividends to a non-controlling shareholder of a subsidiary in the PRC during FY2017.

* *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.*

Consolidated Statement of Cash Flows

Cash and cash equivalents increased from HKD1.36 billion as at 31 December 2016 to HKD2.07 billion as at 31 December 2017. Cash and cash equivalents included in the consolidated statement of cash flows is reconciled as follows:

	31 December 2017 HKD'000	31 December 2016 HKD'000
Cash and cash equivalents per consolidated statement of financial position	2,716,692	1,902,741
Less: Restricted bank balances	(547,278)	(543,340)
Balances in financial institutions	(95,000)	–
	<hr/>	<hr/>
Cash and cash equivalents per consolidated statement of cash flows	<u>2,074,414</u>	<u>1,359,401</u>

Cash flows from operating activities

The Group had cash inflow of HKD1.19 billion before working capital changes during FY2017 (FY2016: HKD795.65 million). Changes in working capital and payment of income tax resulted in cash outflow of HKD1.38 billion and HKD73.86 million respectively. As a result, the Group recorded a net cash outflow of HKD264.26 million from operating activities. The changes in working capital arose mainly from:

- (a) increase in service concession financial receivables by HKD1.92 billion;
- (b) decrease in inventories by HKD0.86 million;
- (c) increase in trade and other receivables by HKD173.25 million; and
- (d) increase in trade and other payables by HKD712.16 million.

Cash flows from investing activities

In FY2017, the Group recorded a net cash outflow of HKD390.86 million from investing activities. The cash outflow mainly arose from payments for purchase of property, plant and equipment of HKD9.74 million, payments for purchase of intangible assets of HKD221.41 million during FY2017 and increase in fixed deposit with maturity period over three months and balances in financial institutions by HKD172.76 million. This was partially offset by receipt of interest of HKD12.46 million and proceeds from disposals of property, plant and equipment of HKD0.58 million during the year.

Cash flows from financing activities

The Group recorded a net cash inflow from financing activities of HKD1.28 billion in FY2017. The net cash inflow was caused by:

- (a) expenses of HKD0.17 million paid in connection with the issue of shares pursuant to scrip dividend scheme;
- (b) receipt of net proceeds from borrowings of HKD1.51 billion;
- (c) net decrease in amounts due to related parties of HKD233.96 million;
- (d) dividend paid of HKD12.35 million;
- (e) payment of interest of HKD198.75 million; and
- (f) capital contributions from non-controlling shareholders of HKD214.80 million.

Subsequent events

On 23 February 2018, the Company announced that it had incorporated a subsidiary known as E+B Umwelttechnik GmbH in Germany to carry out technology research and development and provide engineering, procurement and construction services.

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

None.

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

The Group kept a “high efficiency, high quality” development momentum in FY2017, with new projects expanding and all construction works progressing smoothly. It set foot in new businesses like water supply and standalone pipeline network projects, and expanded geographical footprint to Hubei Province and Guangxi Zhuang Autonomous Region. As a result, the Group secured 14 new projects in the year, which involved a total investment of RMB6.081 billion, with the numbers of projects that commenced and completed construction both reaching a record high. Under the ethos of “technology leads development”, the Group boosted investment in research and development (“R&D”), and actively optimised its organisation structure, talent pool and technology system. It achieved remarkable progress in a number of R&D topics, and its industrial-academic collaboration model greatly facilitated efforts in solving R&D challenges and commercialising R&D results. Furthermore, in FY2017, the Company received approvals from the regulatory authorities of the PRC to issue RMB-denominated corporate bonds of up to RMB2.5 billion in aggregate principal amount, and successfully completed the issuance of the initial tranche of the bonds with a principal amount of RMB1 billion. This signified the Group’s substantial progress in exploring new investment and financing modes.

In FY2017, the Chinese government accelerated the ecological conservation progress and paid unprecedented attention to water environment management. Major national policies, including “Water Pollution Prevention and Control Plan for Major River Basins (2016-2020)”, followed the directions of the “Water Pollution Prevention and Control Plan”, and further clarified the major directions of water environment management and defined responsibilities of authorities at all levels for the sector. The newly amended “Water Pollution Prevention and Control Law of the PRC” came into force on 1 January 2018, providing a strong foundation to standardize and regulate the sector. In addition, the PRC stressed the importance of creating an environmental governance system in which the government takes the lead, enterprises assume main responsibility, and social organisations and the public also participate. This provides a resolute guidance for environmental protection enterprises to explore opportunities and set their positions.

The Group believes that, under the guidance of the “sustainable development strategies” for the country’s ecological conservation, the water environment management sector will continue its golden era and keep the strong development momentum. The Group will continue paying close attention to the country’s water environment management policies at all levels, exploring new development models in the sector, strengthening R&D capability, enhancing corporate management proficiency with intelligent and information systems, promoting talent development strategies, optimising financing channels and financial structure, and striving to maintain its momentum of “making steady progress and forging ahead for the future”, in order to work its way through opportunities and challenges.

11. Dividend

(a) *Current financial year reported on*

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

Name of Dividend	Proposed Final
Dividend Type	Cash/Scrip (based on shareholder’s election)
Dividend Amount	SGD0.0049 per ordinary share
Tax Rate	One-Tier Tax Exempt

China Everbright Water Limited Scrip Dividend Scheme will be applicable to the FY2017 final one-tier tax exempt dividend.

(b) *Immediately preceding financial year*

Any dividend declared for the immediately preceding financial year? Yes

Name of dividend	Final
Dividend type	Cash/Scrip (based on shareholder’s election)
Dividend amount	SGD0.0037 per ordinary share
Tax rate	One-tier tax exempt

(c) *Date payable*

The directors have proposed a final dividend of SGD0.0049 per ordinary share, One-Tier Tax Exempt for FY2017 for approval by shareholders at the forthcoming annual general meeting to be convened in April 2018. 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.

During this financial year, the Group does not have any general mandate from shareholders for interested person transactions.

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

	FY2017	FY2016	Increase/ (decrease)
	HKD'000	HKD'000	%
Revenue reported for the first half year	1,642,770	1,325,737	24%
Profit for the first half year	288,639	187,522	54%
Revenue reported for the second half year	1,948,863	1,168,300	67%
Profit for the second half year	292,154	185,093	58%

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

	FY2017	FY2016
	HKD'000	HKD'000
Ordinary	<u>77,003</u>	<u>53,611</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 office 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 2017 and 31 December 2016.

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 2017 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

An Xuesong

Executive Director and Chief Executive Officer

28 February 2018