

CHINA EVERBRIGHT WATER LIMITED

The board of directors of China Everbright Water Limited (the “Company”) announces the unaudited financial results of the Company and its subsidiaries (collectively, the “Group”) for the third quarter and nine months ended 30 September 2017 (“3QFY2017” and “9MFY2017” respectively).

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

	Group			Group		
	3QFY2017 HKD'000	3QFY2016 HKD'000	Increase/ (decrease) %	9MFY2017 HKD'000	9MFY2016 HKD'000	Increase/ (decrease) %
Revenue	746,136	553,492	35%	2,388,906	1,879,229	27%
Cost of sales	(448,984)	(330,723)	36%	(1,537,444)	(1,192,448)	29%
Gross profit	297,152	222,769	33%	851,462	686,781	24%
Other income	39,181	38,241	2%	99,798	96,344	4%
Administrative and other operating expenses	(56,804)	(64,025)	(11%)	(172,327)	(202,567)	(15%)
Results from operating activities	279,529	196,985	42%	778,933	580,558	34%
Finance income	3,575	1,689	112%	7,245	3,810	90%
Finance costs	(65,122)	(57,933)	12%	(174,262)	(155,835)	12%
Share of result of an associate	(2,043)	–	NM	(1,327)	–	NM
Profit before tax	215,939	140,741	53%	610,589	428,533	42%
Income tax expense	(75,021)	(42,655)	76%	(181,032)	(142,925)	27%
Profit for the period	140,918	98,086	44%	429,557	285,608	50%
Profit attributable to:						
Shareholders of the Company	122,763	91,101	35%	377,810	271,735	39%
Non-controlling interests	18,155	6,985	160%	51,747	13,873	273%
	140,918	98,086	44%	429,557	285,608	50%

	Group			Group		
	3QFY2017	3QFY2016	Increase/ (decrease)	9MFY2017	9MFY2016	Increase/ (decrease)
	HKD'000	HKD'000	%	HKD'000	HKD'000	%
Profit for the period	140,918	98,086	44%	429,557	285,608	50%
Other comprehensive income for the period						
<i>Item that may be reclassified subsequently to profit or loss</i>						
– Foreign currency translation differences	<u>359,082</u>	<u>(134,347)</u>	NM	<u>558,565</u>	<u>(250,512)</u>	NM
Total comprehensive income for the period	<u>500,000</u>	<u>(36,261)</u>	NM	<u>988,122</u>	<u>35,096</u>	NM
Total comprehensive income attributable to:						
Shareholders of the Company	<u>465,073</u>	<u>(37,853)</u>	NM	<u>908,549</u>	<u>29,329</u>	NM
Non-controlling interests	<u>34,927</u>	<u>1,592</u>	NM	<u>79,573</u>	<u>5,767</u>	NM
	<u>500,000</u>	<u>(36,261)</u>	NM	<u>988,122</u>	<u>35,096</u>	NM

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

	Group			Group		
	3QFY2017	3QFY2016	Increase/ (decrease)	9MFY2017	9MFY2016	Increase/ (decrease)
	HKD'000	HKD'000	%	HKD'000	HKD'000	%
Depreciation of property, plant and equipment	5,901	4,220	40%	13,649	10,922	25%
Amortisation of intangible assets	19,672	19,467	1%	59,601	59,410	0%
Interest expenses on:						
– Related party bank borrowing	283	557	(49%)	1,015	1,902	(47%)
– Other bank borrowings and corporate bond	63,004	54,733	15%	166,296	145,975	14%
– Amounts due to group companies	1,835	2,643	(31%)	6,951	7,958	(13%)

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	
	30 September 2017 HKD'000	31 December 2016 HKD'000	30 September 2017 HKD'000	31 December 2016 HKD'000
Non-current assets				
Property, plant and equipment	152,465	147,971	28	31
Intangible assets	1,279,431	1,259,449	–	–
Goodwill	1,256,763	1,185,478	–	–
Interests in subsidiaries	–	–	9,898,608	9,190,573
Interest in an associate	–	1,327	–	–
Other receivables	12,563	9,863	–	–
Service concession financial receivables	9,909,976	8,179,732	–	–
	<u>12,611,198</u>	<u>10,783,820</u>	<u>9,898,636</u>	<u>9,190,604</u>
Current assets				
Inventories	23,331	14,323	–	–
Trade and other receivables	901,191	588,739	3,278,232	2,096,933
Service concession financial receivables	1,011,649	791,609	–	–
Cash and cash equivalents	2,635,087	1,902,741	49,952	30,716
	<u>4,571,258</u>	<u>3,297,412</u>	<u>3,328,184</u>	<u>2,127,649</u>
Total assets	<u>17,182,456</u>	<u>14,081,232</u>	<u>13,226,820</u>	<u>11,318,253</u>

	Group		Company	
	30 September	31 December	30 September	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	5,069,165	4,188,279	7,202,433	6,727,106
Equity attributable to shareholders of the Company	7,694,807	6,798,187	9,828,075	9,337,014
Non-controlling interests	549,593	393,515	–	–
Total equity	<u>8,244,400</u>	<u>7,191,702</u>	<u>9,828,075</u>	<u>9,337,014</u>
Non-current liabilities				
Borrowings	4,973,176	3,366,091	2,267,216	1,203,692
Deferred tax liabilities	1,209,139	1,051,692	–	–
	6,182,315	4,417,783	2,267,216	1,203,692
Current liabilities				
Borrowings	1,487,660	1,521,407	1,104,523	756,892
Trade and other payables	1,232,855	937,238	27,006	20,655
Current tax liabilities	35,226	13,102	–	–
	2,755,741	2,471,747	1,131,529	777,547
Total liabilities	<u>8,938,056</u>	<u>6,889,530</u>	<u>3,398,745</u>	<u>1,981,239</u>
Total equity and liabilities	<u>17,182,456</u>	<u>14,081,232</u>	<u>13,226,820</u>	<u>11,318,253</u>
Net current assets	<u>1,815,517</u>	<u>825,665</u>	<u>2,196,655</u>	<u>1,350,102</u>

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

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

As at 30 September 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>
226,151	1,261,509	116,715	1,404,692

(ii) *Amount payable after one year*

As at 30 September 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>
2,598,024	2,375,152	2,281,066	1,085,025

Details of collateral

The secured borrowings of the Group as at 30 September 2017 and 31 December 2016 were secured by certain revenue, receivables and intangible assets in connection with the Group's service concession arrangements, bank balances and property, plant and equipment 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

	3QFY2017 <i>HKD'000</i>	3QFY2016 <i>HKD'000</i>	9MFY2017 <i>HKD'000</i>	9MFY2016 <i>HKD'000</i>
Cash flows from operating activities				
Profit before tax	215,939	140,741	610,589	428,533
Adjustments for:				
Depreciation of property, plant and equipment	5,901	4,220	13,649	10,922
Amortisation of intangible assets	19,672	19,467	59,601	59,410
Gain on disposals of property, plant and equipment	(519)	–	(487)	–
Share of result of an associate	2,043	–	1,327	–
Effect of foreign exchange rate changes	1,145	11,486	12,231	5,092
Net finance costs	<u>61,547</u>	<u>56,244</u>	<u>167,017</u>	<u>152,025</u>
Operating cash flows before working capital changes	305,728	232,158	863,927	655,982
Changes in working capital:				
Service concession financial receivables	(384,103)	(295,848)	(1,356,336)	(828,632)
Inventories	(4,309)	(155)	(7,850)	217
Trade and other receivables	(150,906)	(55,878)	(266,519)	(123,410)
Trade and other payables	<u>69,654</u>	<u>72,375</u>	<u>387,873</u>	<u>227,459</u>
Cash used in operations	(163,936)	(47,348)	(378,905)	(68,384)
Income tax paid	<u>(24,808)</u>	<u>(27,719)</u>	<u>(72,993)</u>	<u>(112,404)</u>
Net cash used in operating activities	<u>(188,744)</u>	<u>(75,067)</u>	<u>(451,898)</u>	<u>(180,788)</u>
Cash flows from investing activities				
Purchase of property, plant and equipment	(2,720)	(3,873)	(7,248)	(10,408)
Proceeds from disposals of property, plant and equipment	531	–	570	–
Purchase of intangible assets	(8)	–	(447)	–
Interest received	<u>3,575</u>	<u>1,689</u>	<u>7,245</u>	<u>3,810</u>
Net cash generated from/(used in) investing activities	<u>1,378</u>	<u>(2,184)</u>	<u>120</u>	<u>(6,598)</u>

	3QFY2017	3QFY2016	9MFY2017	9MFY2016
	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>
Cash flows from financing activities				
Payment of share buy-back	–	–	–	(21,139)
Proceeds from borrowings	1,914,423	369,242	2,393,792	3,046,511
Repayment of borrowings	(806,715)	(901,908)	(1,052,729)	(2,720,129)
Increase in restricted bank balances	–	(5,020)	–	(138,251)
Increase/(decrease) in amounts due to intermediate holding companies	241	1,581	(22,357)	2,356
(Decrease)/increase in amounts due to fellow subsidiaries	(152,822)	556	(152,715)	556
Dividend paid to shareholders	–	–	(12,348)	(11,877)
Share issue expenses	–	–	(168)	–
Interest paid	(65,122)	(57,933)	(174,262)	(155,835)
Capital contribution from non-controlling shareholders	–	87,844	97,955	169,583
	<u>–</u>	<u>87,844</u>	<u>97,955</u>	<u>169,583</u>
Net cash generated from/(used in) financing activities	890,005	(505,638)	1,077,168	171,775
	<u>890,005</u>	<u>(505,638)</u>	<u>1,077,168</u>	<u>171,775</u>
Net increase/(decrease) in cash and cash equivalents	702,639	(582,889)	625,390	(15,611)
Cash and cash equivalents at the beginning of the period	1,310,725	1,837,997	1,359,401	1,288,550
Effect of exchange rate changes on cash and cash equivalents	75,390	(17,998)	103,963	(35,829)
	<u>75,390</u>	<u>(17,998)</u>	<u>103,963</u>	<u>(35,829)</u>
Cash and cash equivalents at the end of the period	2,088,754	1,237,110	2,088,754	1,237,110
	<u>2,088,754</u>	<u>1,237,110</u>	<u>2,088,754</u>	<u>1,237,110</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 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 period	-	-	-	-	-	-	114,497	114,497	15,513	130,010
Foreign currency translation differences	-	-	85,859	-	-	-	-	85,859	3,525	89,384
Capital contribution from a non-controlling shareholder	-	-	-	-	-	-	-	-	78,420	78,420
At 31 March 2017	2,609,908	1,240,300	(493,761)	155,635	1,229,302	(2,181)	2,259,340	6,998,543	490,973	7,489,516
Profit for the period	-	-	-	-	-	-	140,550	140,550	18,079	158,629
Foreign currency translation differences	-	-	102,570	-	-	-	-	102,570	7,529	110,099
Final 2016 dividend declared	-	-	-	-	-	-	(53,611)	(53,611)	-	(53,611)
Issue of shares pursuant to scrip dividend scheme (Note)	15,734	26,116	-	-	-	-	-	41,850	-	41,850
Share issue expenses	-	(168)	-	-	-	-	-	(168)	-	(168)
Capital contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	19,535	19,535
At 30 June 2017	2,625,642	1,266,248	(391,191)	155,635	1,229,302	(2,181)	2,346,279	7,229,734	536,116	7,765,850
Profit for the period	-	-	-	-	-	-	122,763	122,763	18,155	140,918
Foreign currency translation differences	-	-	342,310	-	-	-	-	342,310	16,772	359,082
Dividend paid to a non-controlling shareholder	-	-	-	-	-	-	-	-	(21,450)	(21,450)
At 30 September 2017	<u>2,625,642</u>	<u>1,266,248</u>	<u>(48,881)</u>	<u>155,635</u>	<u>1,229,302</u>	<u>(2,181)</u>	<u>2,469,042</u>	<u>7,694,807</u>	<u>549,593</u>	<u>8,244,400</u>

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

Attributable to shareholders of the Company

Group	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 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 period	-	-	-	-	-	-	103,143	103,143	2,956	106,099
Foreign currency translation differences	-	-	1,091	-	-	-	-	1,091	(13)	1,078
Share buy-back	(7,793)	-	-	-	(13,346)	-	-	(21,139)	-	(21,139)
At 31 March 2016	2,600,221	1,210,050	(796)	121,317	1,230,162	(2,181)	1,985,265	7,144,038	239,020	7,383,058
Profit for the period	-	-	-	-	-	-	77,491	77,491	3,932	81,423
Foreign currency translation differences	-	-	(114,543)	-	-	-	-	(114,543)	(2,700)	(117,243)
Final 2015 dividend declared	-	-	-	-	-	-	(52,304)	(52,304)	-	(52,304)
Issue of shares pursuant to scrip dividend scheme (Note)	10,177	30,250	-	-	-	-	-	40,427	-	40,427
Capital contribution from a non-controlling shareholder	-	-	-	-	-	-	-	-	81,739	81,739
Dividend paid to a non-controlling shareholder	-	-	-	-	-	-	-	-	(14,550)	(14,550)
At 30 June 2016	2,610,398	1,240,300	(115,339)	121,317	1,230,162	(2,181)	2,010,452	7,095,109	307,441	7,402,550
Profit for the period	-	-	-	-	-	-	91,101	91,101	6,985	98,086
Foreign currency translation differences	-	-	(128,954)	-	-	-	-	(128,954)	(5,393)	(134,347)
Capital contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	87,844	87,844
At 30 September 2016	<u>2,610,398</u>	<u>1,240,300</u>	<u>(244,293)</u>	<u>121,317</u>	<u>1,230,162</u>	<u>(2,181)</u>	<u>2,101,553</u>	<u>7,057,256</u>	<u>396,877</u>	<u>7,454,133</u>

Note: During the nine months ended 30 September 2016, the Company allotted and issued 10,177,139 new ordinary shares to shareholders who had elected to participate in the scrip dividend scheme.

Company	Share capital HKD'000	Share premium HKD'000	Foreign currency translation reserve HKD'000	Contributed surplus reserve HKD'000	Other reserves HKD'000	Retained earnings/ (accumulated/losses) HKD'000	Total equity HKD'000
At 1 January 2017	2,609,908	30,250	(1,084,703)	7,639,082	64,953	77,524	9,337,014
Loss for the period	-	-	-	-	-	(24,567)	(24,567)
Foreign currency translation differences	-	-	93,512	-	-	-	93,512
At 31 March 2017	2,609,908	30,250	(991,191)	7,639,082	64,953	52,957	9,405,959
Profit for the period	-	-	-	-	-	4,162	4,162
Foreign currency translation differences	-	-	108,196	-	-	-	108,196
Final 2016 dividend declared	-	-	-	-	-	(53,611)	(53,611)
Issue of shares pursuant to scrip dividend scheme	15,734	26,116	-	-	-	-	41,850
Share issue expenses	-	(168)	-	-	-	-	(168)
At 30 June 2017	2,625,642	56,198	(882,995)	7,639,082	64,953	3,508	9,506,388
Loss for the period	-	-	-	-	-	(39,511)	(39,511)
Foreign currency translation differences	-	-	361,198	-	-	-	361,198
At 30 September 2017	2,625,642	56,198	(521,797)	7,639,082	64,953	(36,003)	9,828,075
At 1 January 2016	2,608,014	-	(424,795)	7,653,288	64,953	113,540	10,015,000
Loss for the period	-	-	-	-	-	(9,141)	(9,141)
Foreign currency translation differences	-	-	(1,230)	-	-	-	(1,230)
Share buy-back	(7,793)	-	-	(13,346)	-	-	(21,139)
At 31 March 2016	2,600,221	-	(426,025)	7,639,942	64,953	104,399	9,983,490
Loss for the period	-	-	-	-	-	(3,245)	(3,245)
Foreign currency translation differences	-	-	(136,844)	-	-	-	(136,844)
Final 2015 dividend declared	-	-	-	-	-	(52,304)	(52,304)
Issue of shares pursuant to scrip dividend scheme	10,177	30,250	-	-	-	-	40,427
At 30 June 2016	2,610,398	30,250	(562,869)	7,639,942	64,953	48,850	9,831,524
Loss for the period	-	-	-	-	-	(13,353)	(13,353)
Foreign currency translation differences	-	-	(141,307)	-	-	-	(141,307)
At 30 September 2016	2,610,398	30,250	(704,176)	7,639,942	64,953	35,497	9,676,864

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 2016	2,609,908
Shares issued pursuant to scrip dividend scheme	<u>15,734</u>
At 30 September 2017	<u><u>2,625,642</u></u>

The Company did not have any outstanding convertibles, preference shares or treasury shares as at 30 September 2017 and 30 September 2016. The increase in the Company's share capital during the period 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 period and as at the end of the immediately preceding financial year**

	30 September 2017	31 December 2016
Total number of issued shares excluding treasury shares ('000)	<u><u>2,625,642</u></u>	<u><u>2,609,908</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 period compared with the audited financial statements as at 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 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	3QFY2017	3QFY2016	9MFY2017	9MFY2016
Profit attributable to shareholders of the Company (<i>HKD'000</i>)	122,763	91,101	377,810	271,735
Weighted average number of ordinary shares in issue (<i>'000 Shares</i>)	2,625,642	2,610,398	2,615,729	2,604,376
Basic/diluted earnings per share (<i>HKD</i>)	<u>0.047</u>	<u>0.035</u>	<u>0.144</u>	<u>0.104</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 2017	31 December 2016	30 September 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 period	<u>2.93</u>	<u>2.60</u>	<u>3.74</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 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 3QFY2017, the revenue of the Group increased by 35% to HKD746.14 million compared with the revenue of HKD553.49 million in 3QFY2016. Gross profit of the Group increased from HKD222.77 million in 3QFY2016 to HKD297.15 million in 3QFY2017, representing an increase of 33%. The profit of the Group increased from HKD98.09 million in 3QFY2016 to HKD140.92 million in 3QFY2017, representing a rise of 44%. The profit attributable to shareholders of the Company in 3QFY2017 amounted to HKD122.76 million, which increased by 35% over 3QFY2016.

Consolidated Statement of Comprehensive Income

Revenue

Revenue increased by 35% from HKD553.49 million in 3QFY2016 to HKD746.14 million in 3QFY2017. The increase was mainly attributable to the increase of HKD128.28 million in construction revenue. The increase in construction revenue was mainly attributable to construction of 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 3QFY2017.

Cost of sales

Cost of sales increased by 36% from HKD330.72 million in 3QFY2016 to HKD448.98 million in 3QFY2017. The increase was mainly due to the increase in construction cost arising from the increased construction services, which contributed to a construction revenue of HKD330.79 million in 3QFY2017 as compared to HKD202.51 million in 3QFY2016.

Gross profit margin

Overall gross profit margin in 3QFY2017 remained at the same level as 3QFY2016, being 40%. A larger portion of construction revenue was recognised in the mix of the total revenue in 3QFY2017 as compared with 3QFY2016 (44% vs. 37%). In general, construction services have lower gross profit margin than operation services, and thus, a larger portion of construction revenue will reduce 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 the impact of the larger portion of construction revenue.

Other income

Other income increased by 2% to HKD39.18 million in 3QFY2017 as compared with HKD38.24 million in 3QFY2016. Other income mainly consisted of value-added tax refund, government grants and other sundry income. The increase in other income was mainly due to the rise in value-added tax refund.

Administrative and other operating expenses

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

Administrative and other operating expenses decreased by 11% from HKD64.03 million in 3QFY2016 to HKD56.80 million in 3QFY2017. The decrease was a combined effect of (a) increase of staff costs, marketing expenses and other operating expenses arising from the business expansion of the Group in 3QFY2017, but offset by the (b) non-occurrence of foreign exchange losses arising from borrowings pegged to USD which were incurred in 3QFY2016. These 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 HKD57.93 million in 3QFY2016 to HKD65.12 million in 3QFY2017. The increase was mainly due to the increase of the average balance of borrowings in 3QFY2017 as compared to 3QFY2016.

Income tax expense

Income tax expense in 3QFY2017 increased by 76% from HKD42.66 million in 3QFY2016 to HKD75.02 million in 3QFY2017. The increase in income tax expense was attributable to (a) the increase in tax payable due to the higher profit before tax in 3QFY2017, and (b) the increase in deferred tax in 3QFY2017 as compared with 3QFY2016 due to recognition of more construction profits.

Consolidated Statement of Financial Position

Assets

The total assets of the Group increased from HKD14.08 billion as at 31 December 2016 to HKD17.18 billion as at 30 September 2017, representing a growth of 22%. 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 HKD10.92 billion as at 30 September 2017. The increase of HKD1.95 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 and the river-basin ecological restoration project during 9MFY2017.

Trade and other receivables (including both current and non-current) of the Group increased from HKD598.60 million as at 31 December 2016 to HKD913.75 million as at 30 September 2017. Among them, trade receivables increased by HKD151.17 million to HKD580.77 million as at 30 September 2017, which was mainly due to the seasonal settlement pattern as customers normally settle greater portion of trade receivables towards financial year end. Other receivables (including both current and non-current) increased by HKD163.98 million during 9MFY2017, which was mainly due to the increase in prepayments for construction works, value-added tax (“VAT”) refund receivables, and pending deduct VAT on purchase*.

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

Liabilities

Total borrowings (including both current and non-current) increased by HKD1.57 billion. The increase was mainly due to the receipt of proceeds from borrowings amounting to approximately HKD2.39 billion, offset by repayment made for borrowings amounting to HKD1.05 billion in 9MFY2017. Foreign exchange differences also had some impacts on the balance of the total borrowings.

Increase of HKD295.62 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 HKD1.82 billion as at 30 September 2017, representing an increase of HKD989.85 million from HKD825.67 million as at 31 December 2016.

Equity

The Group's total equity amounted to HKD8.24 billion as at 30 September 2017 (31 December 2016: HKD7.19 billion). The increase was mainly due to the followings: (a) recognition of profit amounting to HKD429.56 million in 9MFY2017; (b) recognition of foreign currency translation gains of HKD558.57 million arising from the appreciation of RMB against HKD in 9MFY2017; (c) the decrease of HKD11.93 million in equity due to declaration and payment of 2016 final dividend in 9MFY2017; (d) capital contribution of HKD97.96 million from non-controlling shareholders of subsidiaries in People's Republic of China (the "PRC") during 9MFY2017; and (e) the decrease of HKD21.45 million due to distribution of dividend to a non-controlling shareholder of a subsidiary in the PRC during 9MFY2017.

Consolidated Statement of Cash Flows

Cash and cash equivalents increased from HKD1.36 billion as at 31 December 2016 to HKD2.09 billion as at 30 September 2017. Cash and cash equivalents included in the consolidated statement of cash flows is reconciled as follows:

	30 September 2017 HKD'000	31 December 2016 HKD'000
Cash and cash equivalents per consolidated statement of financial position	2,635,087	1,902,741
Less: Restricted bank balances	(546,333)	(543,340)
	<u>2,088,754</u>	<u>1,359,401</u>
Cash and cash equivalents per consolidated statement of cash flows		

Cash flows from operating activities

The Group had cash inflow of HKD305.73 million before working capital changes during 3QFY2017 (3QFY2016: HKD232.16 million). Changes in working capital and payment of income tax resulted in cash outflow of HKD469.66 million and HKD24.81 million respectively. As a result, the Group recorded a net cash outflow of HKD188.74 million from operating activities. The changes in working capital arose mainly from:

- (a) increase in service concession financial receivables by HKD384.10 million;
- (b) increase in inventories by HKD4.31 million;
- (c) increase in trade and other receivables by HKD150.91 million; and
- (d) increase in trade and other payables by HKD69.65 million.

Cash flows from investing activities

In 3QFY2017, the Group recorded a net cash inflow of HKD1.40 million from investing activities. The cash inflow mainly arose from receipt of interest of HKD3.58 million and proceeds from disposals of property, plant and equipment of HKD0.53 million during 3QFY2017. This was partially offset by payments for purchase of property, plant and equipment of HKD2.72 million during the period.

Cash flows from financing activities

The Group recorded a net cash inflow from financing activities of HKD890.00 million in 3QFY2017. The net cash inflow was caused by:

- (a) receipt of net proceeds from borrowings of HKD1,107.71 million;
- (b) net decrease in amounts due to related parties of HKD152.58 million; and
- (c) payment of interest of HKD65.12 million.

Subsequent events

Nil.

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.

During 3QFY2017, the Group steadily developed each of its business areas, and secured 6 new projects. Among them, the Nanning Shuitang River Integrated Restoration Public-Private Partnership (PPP) Project secured in Guangxi Zhuang Autonomous Region marked a breakthrough in the Southern region of China. The project expanded the Group's geographic presence and enhanced its brand influence. In addition, the successful issuance of the initial tranche of the Group's first RMB-denominated corporate bonds broadened the Group's financing channels, optimised its financial structure, and effectively supported its sound and stable development. While exploring the water environment management sector and the capital market, the Group has a set of strict policies over the continued integration and full implementation of the Environmental, Safety, Health and Social Responsibility ("ESHS") management system and risk management system. A stable and desirable environment is thus established so that the internal management and the external development would complement each other to further enhance the prospect of the market opportunities.

The central government of China recently emphasised again on the acceleration of the reform of ecological conservation system to build a beautiful China. It advocated the efforts to develop green finance and sectors such as energy conservation, environmental protection and clean energy; to promote all-around resource conservation and recycling as well as nation-wide water conservation; to solve prominent environmental problems, with an emphasis on accelerating the prevention and control of water pollution and implementing integrated treatment of river-basins and near-shore areas, among others; as well as to establish an environmental governance system in which the government takes the lead, enterprises assume main responsibility, and social organisations and the public also participate. Policies on water environment management for subdivision domains, such as the treatment of black and odorous water bodies and sponge city construction, have been rolled out continuously by governments at all levels, leading the industry to steady progress. Furthermore, a series of policies to promote the PPP model have been issued by the central and local governments, to further encourage the participation of social capital in public service and infrastructure areas; this will drive a new round of PPP development and bring about a broader market.

The guideline set by the central government, together with the constant issuance of the favorable policies, has outlined a new landscape for China's environmental protection industry from a macro perspective, which will benefit the Group's overall operation and business performance. The Group believes that the "millennium plan" for ecological conservation indicates that the golden era of the environmental protection industry will continue. With the general upward trend of the industry, the Group will devote to the existing projects, closely follow the industry trends, proactively expand business market, improve technological innovation efficiency, and strengthen its management and operation capacity. It will also adhere to the philosophy of seeking long-term and sustainable development, to establish itself as a leading player in the water environment management industry of China.

11. Dividend

(a) *Current financial period reported on*

Nil

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

Not applicable

(c) *Date payable*

Not applicable

(d) *Books closure date*

Not applicable

12. If no dividend has been declared/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 period, the Group does not have any general mandate from shareholders for interested person transaction.

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

Not applicable

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

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

CONFIRMATION BY THE BOARD

PURSUANT TO THE RULE 705(5) OF THE LISTING MANUAL

I, An Xuesong, do hereby confirm on behalf of the Board of Directors of China Everbright Water Limited (the “Company”), that to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial results for the third quarter and nine months ended 30 September 2017 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

An Xuesong

Executive Director and Chief Executive Officer

13 November 2017