

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 2016 (“3QFY2016” and “9MFY2016” respectively).

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

	Group		Increase/ -decrease %	Group		Increase/ -decrease %
	3QFY2016 HKD'000	3QFY2015 HKD'000		9MFY2016 HKD'000	9MFY2015 HKD'000	
Revenue	553,492	410,153	35%	1,879,229	1,356,297	39%
Cost of sales	(330,723)	(219,100)	51%	(1,192,448)	(722,011)	65%
Gross profit	222,769	191,053	17%	686,781	634,286	8%
Other income	38,241	6,381	499%	96,344	27,027	256%
Administrative and other operating expenses	(64,025)	(49,859)	28%	(202,567)	(140,878)	44%
Results from operating activities	196,985	147,575	33%	580,558	520,435	12%
Finance income	1,689	1,730	-2%	3,810	3,188	20%
Finance costs	(57,933)	(14,475)	300%	(155,835)	(84,919)	84%
Profit before tax	140,741	134,830	4%	428,533	438,704	-2%
Income tax	(42,655)	(42,799)	-	(142,925)	(126,125)	13%
Profit for the period	98,086	92,031	7%	285,608	312,579	-9%
Profit attributable to:						
Shareholders of the Company	91,101	88,845	3%	271,735	300,112	-9%
Non-controlling interests	6,985	3,186	119%	13,873	12,467	11%
	98,086	92,031	7%	285,608	312,579	-9%

DBS Bank Ltd. acted as the financial adviser to the Company in relation to the reverse takeover of the Company by China Everbright Water Holdings Limited which was completed on 12 December 2014. DBS Bank Ltd. assumes no responsibility for the contents of this announcement.

	Group		Increase/ -decrease %	Group		Increase/ -decrease %
	3QFY2016 HKD'000	3QFY2015 HKD'000		9MFY2016 HKD'000	9MFY2015 HKD'000	
Profit for the period	98,086	92,031	7%	285,608	312,579	-9%
Other comprehensive income for the period						
Items that will not be reclassified to profit or loss:						
– Foreign currency translation differences	<u>(134,347)</u>	<u>(169,344)</u>	-21%	<u>(250,512)</u>	<u>(166,727)</u>	50%
Total comprehensive income for the period	<u>(36,261)</u>	<u>(77,313)</u>	-53%	<u>35,096</u>	<u>145,852</u>	-76%
Total comprehensive income attributable to:						
Shareholders of the Company	<u>(37,853)</u>	<u>(76,536)</u>	-51%	<u>29,329</u>	137,075	-79%
Non-controlling interests	<u>1,592</u>	<u>(777)</u>	-305%	<u>5,767</u>	<u>8,777</u>	-34%
	<u>(36,261)</u>	<u>(77,313)</u>	-53%	<u>35,096</u>	<u>145,852</u>	-76%

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

	Group		Increase/ -decrease %	Group		Increase/ -decrease %
	3QFY2016 HKD'000	3QFY2015 HKD'000		9MFY2016 HKD'000	9MFY2015 HKD'000	
Depreciation of property, plant and equipment	4,220	5,094	-17%	10,922	15,114	-28%
Amortisation of intangible assets ¹	19,467	11,715	66%	59,410	38,520	54%
Interest expenses on:						
– Related party bank borrowings	557	962	-42%	1,902	3,399	-44%
– Other bank borrowings and notes payable	54,733	10,501	421%	145,975	71,102	105%
– Amounts due to group companies	2,643	3,012	-12%	7,958	10,418	-24%

1 The increase in amortisation of intangible assets was mainly due to the acquisition of Dalian Dongda Water Co., Ltd. (“Dalian Dongda”) in FY2015.

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 2016 HKD'000	31 December 2015 HKD'000	30 September 2016 HKD'000	31 December 2015 HKD'000
Current assets				
Inventories	10,176	10,689	–	–
Trade and other receivables	771,793	641,525	2,178,218	1,672,655
Service concession financial receivables	801,189	893,423	–	–
Cash and cash equivalents	1,840,029	1,768,990	1,908	7,248
	<u>3,423,187</u>	<u>3,314,627</u>	<u>2,180,126</u>	<u>1,679,903</u>
Non-current assets				
Property, plant and equipment	157,528	162,587	34	3
Intangible assets	1,335,597	1,440,075	–	–
Goodwill	1,233,651	1,268,925	–	–
Investment in subsidiaries	–	–	9,454,277	9,533,310
Other receivables	12,672	39,525	–	21,120
Service concession financial receivables	8,379,133	7,713,209	–	–
	<u>11,118,581</u>	<u>10,624,321</u>	<u>9,454,311</u>	<u>9,554,433</u>
Current liabilities				
Borrowings	2,317,610	2,394,574	698,130	1,000,073
Trade and other payables	688,203	475,430	541,945	25,450
Current tax liabilities	26,484	52,278	–	–
Dividend payable	14,550	–	–	–
	<u>3,046,847</u>	<u>2,922,282</u>	<u>1,240,075</u>	<u>1,025,523</u>

	Group		Company	
	30 September	31 December	30 September	31 December
	2016	2015	2016	2015
	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>
Net current assets	376,340	392,345	940,051	654,380
Non-current liabilities				
Borrowings	2,725,195	2,423,663	717,498	193,813
Deferred tax liabilities	1,080,007	1,055,223	–	–
Other payables	235,586	240,760	–	–
	4,040,788	3,719,646	717,498	193,813
Net assets	7,454,133	7,297,020	9,676,864	10,015,000
Equity				
Share capital	2,672,482	2,670,098	2,672,482	2,670,098
Reserves	4,384,774	4,390,845	7,004,382	7,344,902
Equity attributable to shareholders of the Company	7,057,256	7,060,943	9,676,864	10,015,000
Non-controlling interests	396,877	236,077	–	–
Total equity	7,454,133	7,297,020	9,676,864	10,015,000

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 2016		As at 31 December 2015	
Secured	Unsecured	Secured	Unsecured
<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>
177,737	2,139,873	1,169,865	1,224,709

(ii) *Amount payable after one year*

As at 30 September 2016		As at 31 December 2015	
Secured	Unsecured	Secured	Unsecured
<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>
1,878,359	846,836	1,069,413	1,354,250

Details of Collateral

The secured borrowings of the Group as at 30 September 2016 and 31 December 2015 were secured by certain property, plant and equipment, revenue, receivables and intangible assets in connection with the Group's service concession arrangements and certain bank deposits.

1(c) Consolidated statement of cash flow (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	3QFY2016 <i>HKD'000</i>	3QFY2015 <i>HKD'000</i>	9MFY2016 <i>HKD'000</i>	9MFY2015 <i>HKD'000</i>
Cash flows from operating activities				
Profit before tax	140,741	134,830	428,533	438,704
Adjustments for:				
Depreciation of property, plant and equipment	4,220	5,094	10,922	15,114
Amortisation of intangible assets	19,467	11,715	59,410	38,520
Fair value gain on cross-currency swap	–	(21,836)	–	(22,278)
Effect of foreign exchange rates changes	11,486	9,601	5,092	(3,058)
Net finance costs	56,244	12,745	152,025	81,731
Operating cash flows before working capital changes	232,158	152,149	655,982	548,733
Changes in working capital:				
Inventories	(155)	7,038	217	(11,022)
Service concession financial receivables	(295,848)	(87,844)	(828,632)	(332,706)
Trade and other receivables	(55,878)	(246,287)	(123,410)	(449,986)
Trade and other payables	72,375	2,439	227,459	30,283
Cash used in operations	(47,348)	(172,505)	(68,384)	(214,698)
Income tax paid	(27,719)	(17,796)	(112,404)	(66,102)
Net cash used in operating activities	(75,067)	(190,301)	(180,788)	(280,800)
Cash flows from investing activities				
Purchase of property, plant and equipment	(3,873)	(5,215)	(10,408)	(10,128)
Interest received	1,689	1,730	3,810	3,188
Payment made for the acquisition of subsidiaries	–	(852,110)	–	(852,110)
Net cash used in investing activities	(2,184)	(855,595)	(6,598)	(859,050)

	3QFY2016 <i>HKD'000</i>	3QFY2015 <i>HKD'000</i>	9MFY2016 <i>HKD'000</i>	9MFY2015 <i>HKD'000</i>
Cash flows from financing activities				
Proceeds from issue of shares	–	–	–	659,031
Proceeds from exercise of warrants	–	–	–	180
Payment of share buy-back	–	–	(21,139)	–
Dividends paid to shareholders	–	–	(11,877)	–
Contributions from non-controlling shareholders	87,844	–	169,583	–
Proceeds from bank borrowings	369,242	1,418,124	3,046,511	1,994,301
Repayment of bank borrowings and other borrowings	(901,908)	(439,284)	(2,720,129)	(1,043,637)
Increase in restricted bank balances	(5,020)	(337,973)	(138,251)	(223,938)
Increase/(decrease) in amounts due to intermediate holding companies	1,581	(19,041)	2,356	(133,605)
Increase in amounts due to fellow subsidiaries	556	13,310	556	16,872
Interest paid	(57,933)	(14,475)	(155,835)	(84,919)
Net cash (used in)/generated from financing activities	<u>(505,638)</u>	<u>620,661</u>	<u>171,775</u>	<u>1,184,285</u>
Net (decrease)/increase in cash and cash equivalents	(582,889)	(425,235)	(15,611)	44,435
Cash and cash equivalents at the beginning of the period	1,837,997	969,862	1,288,550	499,331
Effect of exchange rate fluctuations on cash and cash equivalents	<u>(17,998)</u>	<u>(12,342)</u>	<u>(35,829)</u>	<u>(11,481)</u>
Cash and cash equivalents at the end of the period	<u>1,237,110</u>	<u>532,285</u>	<u>1,237,110</u>	<u>532,285</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 immediately preceding financial year

	Share capital HKD'000	Share premium HKD'000	Foreign currency translation reserve HKD'000	Statutory reserve HKD'000	Contributed surplus reserve HKD'000	Other reserves HKD'000	Retained earnings HKD'000	Total HKD'000	Non-controlling interests HKD'000	Total equity HKD'000
Group										
At 1 January 2016	2,670,098	1,210,050	(63,971)	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	2,662,305	1,210,050	(62,880)	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)
Issue of shares pursuant to scrip dividend scheme	10,177	30,250	-	-	-	-	(40,427)	-	-	-
Dividends paid to shareholders	-	-	-	-	-	-	(11,877)	(11,877)	-	(11,877)
Contribution from a non-controlling shareholder	-	-	-	-	-	-	-	-	81,739	81,739
Dividends paid to a non-controlling shareholder	-	-	-	-	-	-	-	-	(14,550)	(14,550)
At 30 June 2016	2,672,482	1,240,300	(177,423)	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)
Contributions from non-controlling shareholders	-	-	-	-	-	-	-	-	87,844	87,844
At 30 September 2016	<u>2,672,482</u>	<u>1,240,300</u>	<u>(306,377)</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>
At 1 January 2015	2,549,345	1,914,548	266,571	94,999	-	(2,181)	1,502,198	6,325,480	225,680	6,551,160
Profit for the period	-	-	-	-	-	-	100,861	100,861	3,786	104,647
Foreign currency translation differences	-	-	4,158	-	-	-	-	4,158	555	4,713
At 31 March 2015	2,549,345	1,914,548	270,729	94,999	-	(2,181)	1,603,059	6,430,499	230,021	6,660,520
Profit for the period	-	-	-	-	-	-	110,406	110,406	5,495	115,901
Foreign currency translation differences	-	-	(1,814)	-	-	-	-	(1,814)	(282)	(2,096)
Issue of ordinary shares	120,691	538,340	-	-	-	-	-	659,031	-	659,031
Exercise of warrants	62	670	-	-	-	-	-	732	-	732
At 30 June 2015	2,670,098	2,453,558	268,915	94,999	-	(2,181)	1,713,465	7,198,854	235,234	7,434,088
Profit for the period	-	-	-	-	-	-	88,845	88,845	3,186	92,031
Foreign currency translation differences	-	-	(165,381)	-	-	-	-	(165,381)	(3,963)	(169,344)
At 30 September 2015	<u>2,670,098</u>	<u>2,453,558</u>	<u>103,534</u>	<u>94,999</u>	<u>-</u>	<u>(2,181)</u>	<u>1,802,310</u>	<u>7,122,318</u>	<u>234,457</u>	<u>7,356,775</u>

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 2016	2,670,098	-	(486,879)	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	2,662,305	-	(488,109)	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)
Issue of shares pursuant to scrip dividend scheme	10,177	30,250	-	-	-	(40,427)	-
Dividends paid to shareholders	-	-	-	-	-	(11,877)	(11,877)
At 30 June 2016	2,672,482	30,250	(624,953)	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	2,672,482	30,250	(766,260)	7,639,942	64,953	35,497	9,676,864
At 1 January 2015	2,549,345	11,584,834	(59,686)	-	64,953	(4,430,317)	9,709,129
Loss for the period	-	-	-	-	-	(19,337)	(19,337)
Foreign currency translation differences	-	-	49,162	-	-	-	49,162
At 31 March 2015	2,549,345	11,584,834	(10,524)	-	64,953	(4,449,654)	9,738,954
Loss for the period	-	-	-	-	-	(3,133)	(3,133)
Foreign currency translation differences	-	-	(35,844)	-	-	-	(35,844)
Issue of ordinary shares	120,691	538,340	-	-	-	-	659,031
Exercise of warrants	62	670	-	-	-	-	732
At 30 June 2015	2,670,098	12,123,844	(46,368)	-	64,953	(4,452,787)	10,359,740
Loss for the period	-	-	-	-	-	(6,759)	(6,759)
Foreign currency translation differences	-	-	(251,187)	-	-	-	(251,187)
At 30 September 2015	2,670,098	12,123,844	(297,555)	-	64,953	(4,459,546)	10,101,794

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 2015	2,608,014
Share buy-back during the period	(7,793)
Share issuance pursuant to scrip dividend scheme	<u>10,177</u>
At 30 September 2016	<u>2,610,398</u>

The Company does not have any outstanding convertibles, preference shares and treasury shares as at 30 September 2016 and 31 December 2015. The increase in the Company’s share capital during the nine-month period was due to the issuance of shares pursuant to the scrip dividend scheme where 10,177,139 shares were issued in June 2016. The increase was partly offset by 7,793,400 shares bought back in January 2016.

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

The total number of issued shares excluding treasury shares were as follows:

	30 September 2016	31 December 2015
Total number of issued shares excluding treasury shares ('000)	<u>2,610,398</u>	<u>2,608,014</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.

The same accounting policies and methods of computations have been applied as those of the most recent audited financial statements for the financial year ended 31 December 2015.

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.

There are no changes in the accounting policies or methods of computation.

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	3QFY2016	3QFY2015	9MFY2016	9MFY2015
Profit attributable to shareholders of the Company (<i>HKD'000</i>)	91,101	88,845	271,735	300,112
Weighted average number of ordinary shares in issue (<i>'000</i>)	2,610,398	2,608,014	2,604,376	2,558,916
Basic/diluted earnings per share (<i>HKD</i>)	<u>0.035</u>	<u>0.034</u>	<u>0.104</u>	<u>0.117</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 2016	31 December 2015	30 September 2016	31 December 2015
	<i>HKD</i>	<i>HKD</i>	<i>HKD</i>	<i>HKD</i>
Net asset value per ordinary share based on the existing issued share capital as at the respective date	<u>2.70</u>	<u>2.71</u>	<u>3.71</u>	<u>3.84</u>

Net asset value per ordinary share was calculated by the net asset value attributable to equity shareholders of the Company divided by the number of ordinary shares outstanding excluding treasury shares as at the end of the relevant 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

During 3QFY2016, revenue of the Group increased by 35% to HKD553.49 million in comparison to the revenue of HKD410.15 million in 3QFY2015. Gross profit of the Group increased from HKD191.05 million in 3QFY2015 to HKD222.77 million in 3QFY2016, representing an increase of 17%. Profit for the period increased from HKD92.03 million in 3QFY2015 to HKD98.09 million in 3QFY2016, representing an increase of 7%. The profit attributable to the shareholders of the Company in 3QFY2016 amounted to HKD91.10 million, which increased by 3% from 3QFY2015. The increase was mainly due to increase in revenue, gross profit and other income.

Consolidated Statement of Comprehensive Income

Revenue

Revenue increased by 35% from HKD410.15 million in 3QFY2015 to HKD553.49 million in 3QFY2016. The increase was mainly attributable to the increase in construction revenue from the expansion and upgrading of several Build-Operate-Transfer (“BOT”) projects which were under construction during 3QFY2016.

Cost of sales

Cost of sales increased by 51% from HKD219.10 million in 3QFY2015 to HKD330.72 million in 3QFY2016. The increase was mainly attributable to the increase in construction cost arising from the increased construction services. Construction revenue comprised approximately 37% of total revenue in 3QFY2016 (3QFY2015: 30%). Procurement and installation services when performed by the in-house engineering company usually generate additional cost-savings for the Group. There was lesser of such services rendered in 3QFY2016 as compared to 3QFY2015 resulting in less cost savings being realised in 3QFY2016. These factors contributed to the higher percentage growth for cost of sales as compared to the percentage growth for revenue.

Gross profit margin

Overall gross profit margin in 3QFY2016 decreased to 40% (3QFY2015: 47%), which was mainly due to a larger portion of construction revenue recognised in the mix of the total revenue of 3QFY2016 as compared to 3QFY2015. Construction revenue accounted for approximately 37% of total revenue in 3QFY2016 (3QFY2015: 30%). In general, construction services have lower gross profit margin as compared to operation services.

Other income

Other income increased by 499% to HKD38.24 million in 3QFY2016 as compared to HKD6.38 million in 3QFY2015. Other income mainly consisted of value-added tax refund, government grant and other sundry income. The increase in other income in 3QFY2016 was mainly due to increase in value-added tax refund during 3QFY2016.

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 increased by 28% from HKD49.86 million in 3QFY2015 to HKD64.03 million in 3QFY2016. The increase was mainly due to: (i) business expansion of the Group, including expansion and upgrading of several existing projects and the acquisition of Dalian Dongda in the last quarter of FY2015, which resulted in an increase in staff costs, marketing expenses and other operating expenses; and (ii) foreign exchange losses of HKD6.98 million mainly arising from borrowings pegged to USD as RMB depreciated against USD in the current financial period. The borrowings pegged to USD mentioned above have been fully repaid by the end of July 2016.

Finance costs

Finance costs increased by HKD43.45 million from HKD14.48 million in 3QFY2015 to HKD57.93 million in 3QFY2016. The average balance of borrowings increased in 3QFY2016 as compared with 3QFY2015. Thus, finance costs increased in 3QFY2016 as compared with 3QFY2015, but to a less extent, as the Group has been replacing higher interest rate borrowings with lower interest rate borrowings so as to reduce the overall average borrowing costs.

Income tax

Income tax expense in 3QFY2016 mainly consisted of current PRC income tax of HKD24.97 million (3QFY2015: HKD22.39 million) and deferred tax expense of HKD17.69 million (3QFY2015: HKD20.41 million). Comparing both periods, there was not much changes in income tax expense as profit before tax remained at the same level for these two periods.

Consolidated Statement of Financial Position

Assets

The total assets of the Group increased from HKD13.94 billion as at 31 December 2015 to HKD14.54 billion as at 30 September 2016, representing a growth of 4%. The increase in total assets was mainly attributable to the increase in service concession financial receivables and trade and other receivables.

Cash and cash equivalents slightly increased from HKD1.77 billion as at 31 December 2015 to HKD1.84 billion as at 30 September 2016.

Service concession financial receivables (including both current and non-current) increased from HKD8.61 billion as at 31 December 2015 to HKD9.18 billion as at 30 September 2016, representing an increase of HKD0.57 billion. The increase in service concession financial receivables was mainly attributable to the recognition of construction revenue for several water plants during the 9MFY2016.

Trade and other receivables (including both current and non-current) of the Group increased by HKD103.42 million from HKD681.05 million as at 31 December 2015 to HKD784.47 million as at 30 September 2016. Trade receivables increased by HKD122.34 million to HKD586.78 million as at 30 September 2016 mainly due to the seasonal settlement pattern, as customers normally settled a greater portion of trade receivables towards the end of the financial year. Other receivables (including both current and non-current) decreased by HKD18.93 million during 9MFY2016 mainly due to the decrease in prepayments for construction works.

Liabilities

Total borrowings (including both current and non-current) increased by HKD224.57 million. The movement was mainly due to proceeds from bank borrowings amounting to approximately HKD3,046.51 million, offset by repayment of bank borrowings and other borrowings amounting to HKD2,720.13 million in 9MFY2016.

The current portion of trade and other payables increased by HKD212.77 million mainly due to the increase in trade and other payable due to third parties. Non-current other payables as at 30 September 2016 represented the amounts due to related parties amounting to HKD235.59 million.

Dividend payable represented dividend payable to a non-controlling shareholder of a PRC subsidiary.

The Group was in a net current asset position of HKD376.34 million as at 30 September 2016, a slight decrease by HKD16.01 million from HKD392.35 million as at 31 December 2015.

Equity

The Group's total equity amounted to HKD7.45 billion as at 30 September 2016 (31 December 2015: HKD7.30 billion). The increase was mainly due to the following: (i) profit amounting to HKD285.61 million recognised in 9MFY2016; (ii) contribution of HKD169.58 million from non-controlling shareholders of the PRC subsidiaries during 9MFY2016; and (iii) the foreign currency translation losses of HKD250.51 million arising from the depreciation of RMB against HKD recognised in 9MFY2016 which have been included in other comprehensive income.

Consolidated Statement of Cash Flows

Cash and cash equivalents decreased from HKD1,288.55 million as at 31 December 2015 to HKD1,237.11 million as at 30 September 2016. Cash and cash equivalents included in the consolidated statement of cash flows comprised of the following:

	30 September 2016 HKD'000	31 December 2015 HKD'000
Cash and cash equivalents per consolidated statement of financial position	1,840,029	1,768,990
Less: Restricted bank balances	(602,919)	(480,440)
	<hr/>	<hr/>
Cash and cash equivalents per consolidated statement of cash flows	1,237,110	1,288,550

Net cash used in operating activities

The Group had cash inflow of HKD232.16 million before changes in working capital during 3QFY2016 (3QFY2015: HKD152.15 million). Changes in working capital and payment of income tax resulted in cash outflow of HKD279.51 million and HKD27.71 million respectively. As a result, the Group recorded a net cash outflow of HKD75.06 million from operating activities. The changes in working capital arose mainly from:

- (1) increase in inventories by HKD0.16 million;
- (2) increase in service concession financial receivables by HKD295.85 million;
- (3) increase in trade and other receivables by HKD55.88 million; and
- (4) increase in trade and other payables by HKD72.38 million.

Net cash used in investing activities

In 3QFY2016, the Group recorded a net cash outflow of HKD2.18 million from investing activities. The net cash outflow was mainly due to purchase of property, plant and equipment.

Net cash used in financing activities

The Group recorded a net cash outflow from financing activities of HKD505.64 million in 3QFY2016. The net cash outflow was caused by:

- (1) net repayment of borrowings of HKD532.67 million;
- (2) increase in restricted bank balances of HKD5.02 million;
- (3) net increase in amounts due to related parties of HKD2.14 million;
- (4) interest payment of HKD57.93 million; and
- (5) contributions from non-controlling shareholders of HKD87.84 million.

Subsequent event

On 31 October 2016, the Company submitted an application to the Shanghai Stock Exchange (“SSE”) and the China Securities Regulatory Commission (“CSRC”) for a proposed issuance (the “Proposed Bond Issue”) of RMB-denominated corporate bonds in a single or multiple tranches to qualified investors in the PRC pursuant to the Measures for Issuance and Transaction of Corporate Bonds (公司債券發行與交易管理辦法) issued by the CSRC. The registered size of the Proposed Bond Issue is proposed to be RMB2.5 billion (subject to the CSRC’s approval).

The Proposed Bond Issue is subject to, *inter alia*, the necessary approvals from the SSE and the CSRC being obtained, any terms or conditions which may be imposed as a result and the completion of the relevant registration procedures in connection therewith.

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 the first nine months of 2016, the Group adopted a regional management model to accommodate its rapid development and the evolving market conditions of environmental water industry. Tailored for the Group's business and development needs, the regional management model improved synergies between projects, achieved complementary advantages, and optimised management capabilities. In addition, it enhanced the Group's market development model, which is based on locations of the existing projects. A total of 8 environmental water projects in Shandong and Jiangsu provinces were secured in succession.

To regulate and stimulate the healthy development of the environmental water industry, the Chinese government has introduced a series of industry policies since 2015 to maintain and improve the profitability of the industry players under the market mechanisms. Starting from the second half of this year, each of the National Development and Reform Commission and the Ministry of Finance issued a number of notices and guidance on public-private partnership ("PPP") in traditional infrastructure and public services sectors. The government's vigorous promotion of PPP model in the environmental protection sector demonstrates its efforts in encouraging the sector to be more market-oriented and more disciplined. This will further enable the sector's development. The widespread promotion and application of the PPP model will also help enhance the financing capability of industry players and improve the accounts receivable issues, and thus sends positive signals to the environmental water industry. With increasing number of projects being approved and implemented, the industry's future investment scale is guaranteed and the market's investment enthusiasm will continue rising.

With the increased importance attached and the intense support given by the Chinese government, the environmental water industry is expecting a steady development during its marketization process. Nevertheless, under the more stringent regulatory requirements and emission standards, weaker market participants would be eliminated while the market leaders would emerge. Enterprises which show stronger market competitiveness will be provided with more development opportunities during the consolidation within the industry.

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 the current financial period, the Group does not have any general mandate from shareholders for interested person transactions.

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, Wang Tianyi, 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 2016 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Wang Tianyi

Executive Director and Chairman

14 November 2016