

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 second quarter and half year ended 30 June 2017 (“2QFY2017” and “1HFY2017” 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		
	2QFY2017	2QFY2016	Increase/ (decrease)	1HFY2017	1HFY2016	Increase/ (decrease)
	HKD'000	HKD'000	%	HKD'000	HKD'000	%
Revenue	868,717	668,497	30%	1,642,770	1,325,737	24%
Cost of sales	(574,189)	(440,850)	30%	(1,088,460)	(861,725)	26%
Gross profit	294,528	227,647	29%	554,310	464,012	19%
Other income	32,729	27,400	19%	60,617	58,103	4%
Administrative and other operating expenses	(69,501)	(70,397)	(1%)	(115,523)	(138,542)	(17%)
Results from operating activities	257,756	184,650	40%	499,404	383,573	30%
Finance income	2,499	1,056	137%	3,670	2,121	73%
Finance costs	(50,431)	(51,427)	(2%)	(109,140)	(97,902)	11%
Share of result of an associate	(1,217)	–	NM	716	–	NM
Profit before tax	208,607	134,279	55%	394,650	287,792	37%
Income tax expense	(49,978)	(52,856)	(5%)	(106,011)	(100,270)	6%
Profit for the period	158,629	81,423	95%	288,639	187,522	54%
Profit attributable to:						
Shareholders of the Company	140,550	77,491	81%	255,047	180,634	41%
Non-controlling interests	18,079	3,932	360%	33,592	6,888	388%
	158,629	81,423	95%	288,639	187,522	54%

	Group			Group		
	2QFY2017 HKD'000	2QFY2016 HKD'000	Increase/ (decrease) %	1HFY2017 HKD'000	1HFY2016 HKD'000	Increase/ (decrease) %
Profit for the period	158,629	81,423	95%	288,639	187,522	54%
Other comprehensive income for the period						
<i>Item that may be reclassified subsequently to profit or loss</i>						
– Foreign currency translation differences	110,099	(117,243)	NM	199,483	(116,165)	NM
Total comprehensive income for the period	268,728	(35,820)	NM	488,122	71,357	NM
Total comprehensive income attributable to:						
Shareholders of the Company	243,120	(37,052)	NM	443,476	67,182	NM
Non-controlling interests	25,608	1,232	NM	44,646	4,175	NM
	268,728	(35,820)	NM	488,122	71,357	NM

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

	Group			Group		
	2QFY2017 HKD'000	2QFY2016 HKD'000	Increase/ (decrease) %	1HFY2017 HKD'000	1HFY2016 HKD'000	Increase/ (decrease) %
Depreciation of property, plant and equipment	3,012	2,914	3%	7,748	6,702	16%
Amortisation of intangible assets	19,984	19,815	1%	39,929	39,943	0%
Interest expenses on:						
– Related party bank borrowing	337	640	(47%)	732	1,345	(46%)
– Other bank borrowings	47,492	48,154	(1%)	103,292	91,242	13%
– Amounts due to group companies	2,602	2,633	(1%)	5,116	5,315	(4%)

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 June 2017 HKD'000	31 December 2016 HKD'000	30 June 2017 HKD'000	31 December 2016 HKD'000
Non-current assets				
Property, plant and equipment	148,627	147,971	28	31
Intangible assets	1,248,712	1,259,449	–	–
Goodwill	1,210,960	1,185,478	–	–
Interests in subsidiaries	–	–	9,535,088	9,190,573
Interest in an associate	2,035	1,327	–	–
Other receivables	12,148	9,863	–	–
Service concession financial receivables	9,229,686	8,179,732	–	–
	<u>11,852,168</u>	<u>10,783,820</u>	<u>9,535,116</u>	<u>9,190,604</u>
Current assets				
Inventories	18,209	14,323	–	–
Trade and other receivables	715,072	588,739	1,983,069	2,096,933
Service concession financial receivables	917,342	791,609	–	–
Cash and cash equivalents	1,856,655	1,902,741	59,231	30,716
	<u>3,507,278</u>	<u>3,297,412</u>	<u>2,042,300</u>	<u>2,127,649</u>
Total assets	<u>15,359,446</u>	<u>14,081,232</u>	<u>11,577,416</u>	<u>11,318,253</u>

	Group		Company	
	30 June	31 December	30 June	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	4,604,092	4,188,279	6,880,746	6,727,106
Equity attributable to shareholders of the Company	7,229,734	6,798,187	9,506,388	9,337,014
Non-controlling interests	536,116	393,515	–	–
Total equity	<u>7,765,850</u>	<u>7,191,702</u>	<u>9,506,388</u>	<u>9,337,014</u>
Non-current liabilities				
Borrowings	3,550,998	3,366,091	1,149,426	1,203,692
Deferred tax liabilities	1,122,775	1,051,692	–	–
	4,673,773	4,417,783	1,149,426	1,203,692
Current liabilities				
Borrowings	1,644,218	1,521,407	895,917	756,892
Trade and other payables	1,251,865	937,238	25,685	20,655
Current tax liabilities	23,740	13,102	–	–
	2,919,823	2,471,747	921,602	777,547
Total liabilities	<u>7,593,596</u>	<u>6,889,530</u>	<u>2,071,028</u>	<u>1,981,239</u>
Total equity and liabilities	<u>15,359,446</u>	<u>14,081,232</u>	<u>11,577,416</u>	<u>11,318,253</u>
Net current assets	<u>587,455</u>	<u>825,665</u>	<u>1,120,698</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 June 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>
233,424	1,410,794	116,715	1,404,692

(ii) *Amount payable after one year*

As at 30 June 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>
2,601,565	949,433	2,281,066	1,085,025

Details of collateral

The secured borrowings of the Group as at 30 June 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

	2QFY2017 <i>HKD'000</i>	2QFY2016 <i>HKD'000</i>	1HFY2017 <i>HKD'000</i>	1HFY2016 <i>HKD'000</i>
Cash flows from operating activities				
Profit before tax	208,607	134,279	394,650	287,792
Adjustments for:				
Depreciation of property, plant and equipment	3,012	2,914	7,748	6,702
Amortisation of intangible assets	19,984	19,815	39,929	39,943
Loss on disposals of property, plant and equipment	21	–	32	–
Share of result of an associate	1,217	–	(716)	–
Effect of foreign exchange rates changes	10,940	(8,666)	11,086	(6,394)
Net finance costs	47,932	50,371	105,470	95,781
Operating cash flows before working capital changes	291,713	198,713	558,199	423,824
Changes in working capital:				
Service concession financial receivables	(499,726)	(422,767)	(972,233)	(532,784)
Inventories	12,418	67	(3,541)	372
Trade and other receivables	123,574	121,093	(115,613)	(67,532)
Trade and other payables	219,279	51,314	318,219	155,084
Cash generated from/(used in) operations	147,258	(51,580)	(214,969)	(21,036)
Income tax paid	(32,454)	(43,424)	(48,185)	(84,685)
Net cash generated from/(used in) operating activities	114,804	(95,004)	(263,154)	(105,721)
Cash flows from investing activities				
Purchase of property, plant and equipment	(3,502)	(4,453)	(4,528)	(6,535)
Proceeds from disposals of property, plant and equipment	39	–	39	–
Purchase of intangible assets	(439)	–	(439)	–
Interest received	2,499	1,056	3,670	2,121
Net cash used in investing activities	(1,403)	(3,397)	(1,258)	(4,414)

	2QFY2017	2QFY2016	1HFY2017	1HFY2016
	<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 bank borrowings	399,307	1,638,231	479,369	2,677,269
Repayment of bank borrowings	(175,945)	(826,501)	(246,014)	(1,818,221)
Decrease/(increase) in restricted bank balances	–	176,929	–	(133,231)
(Decrease)/increase in amounts due to intermediate holding companies	(22,598)	30	(22,598)	775
(Decrease)/increase in amount due to a fellow subsidiary	(1,655)	(1,884)	107	–
Dividend paid to shareholders	(12,348)	(11,877)	(12,348)	(11,877)
Share issue expenses	(168)	–	(168)	–
Interest paid	(50,431)	(51,427)	(109,140)	(97,902)
Capital contribution from non-controlling shareholders	19,535	81,739	97,955	81,739
Net cash generated from financing activities	155,697	1,005,240	187,163	677,413
Net increase/(decrease) in cash and cash equivalents	269,098	906,839	(77,249)	567,278
Cash and cash equivalents at the beginning of the period	1,026,123	948,827	1,359,401	1,288,550
Effect of exchange rate changes on cash and cash equivalents	15,504	(17,669)	28,573	(17,831)
Cash and cash equivalents at end of the period	1,310,725	1,837,997	1,310,725	1,837,997

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 (<i>Note</i>)	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	<u>2,625,642</u>	<u>1,266,248</u>	<u>(391,191)</u>	<u>155,635</u>	<u>1,229,302</u>	<u>(2,181)</u>	<u>2,346,279</u>	<u>7,229,734</u>	<u>536,116</u>	<u>7,765,850</u>

Note: During the half year ended 30 June 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	Share	Foreign	Statutory	Contributed	Other	Retained	Total	Non-	Total
	capital	premium	currency	reserve	surplus	reserves	earnings		controlling	
	HKD'000	HKD'000	translation	HKD'000	reserve	HKD'000	HKD'000	HKD'000	interests	HKD'000
			reserve		HKD'000				HKD'000	
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 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 (<i>Note</i>)	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	<u>2,610,398</u>	<u>1,240,300</u>	<u>(115,339)</u>	<u>121,317</u>	<u>1,230,162</u>	<u>(2,181)</u>	<u>2,010,452</u>	<u>7,095,109</u>	<u>307,441</u>	<u>7,402,550</u>

Note: During the half year ended 30 June 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 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	<u>2,625,642</u>	<u>56,198</u>	<u>(882,995)</u>	<u>7,639,082</u>	<u>64,953</u>	<u>3,508</u>	<u>9,506,388</u>
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	<u>2,610,398</u>	<u>30,250</u>	<u>(562,869)</u>	<u>7,639,942</u>	<u>64,953</u>	<u>48,850</u>	<u>9,831,524</u>

1(d)(ii) **Details of any changes in the Company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the immediately preceding financial year reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year**

	No. of ordinary shares issued ('000)
At 31 December 2016	2,609,908
Shares issued pursuant to scrip dividend scheme	<u>15,734</u>
At 30 June 2017	<u><u>2,625,642</u></u>

The Company did not have any outstanding convertibles, preference shares or treasury shares as at 30 June 2017 and 30 June 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 June 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	2QFY2017	2QFY2016	1HFY2017	1HFY2016
Profit attributable to shareholders of the Company (<i>HKD'000</i>)	140,550	77,491	255,047	180,634
Weighted average number of ordinary shares in issue (<i>'000</i>)	2,611,464	2,601,116	2,610,690	2,601,332
Basic/diluted earnings per share (<i>HKD</i>)	<u>0.054</u>	<u>0.030</u>	<u>0.098</u>	<u>0.069</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 June 2017	31 December 2016	30 June 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>2.75</u>	<u>2.60</u>	<u>3.62</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 2QFY2017, the revenue of the Group increased by 30% to HKD868.72 million compared with the revenue of HKD668.50 million in 2QFY2016. Gross profit of the Group increased from HKD227.65 million in 2QFY2016 to HKD294.53 million in 2QFY2017, representing an increase of 29%. The profit of the Group increased from HKD81.42 million in 2QFY2016 to HKD158.63 million in 2QFY2017, representing a rise of 95%. The profit attributable to shareholders of the Company in 2QFY2017 amounted to HKD140.55 million, which increased by 81% over 2QFY2016.

Consolidated Statement of Comprehensive Income

Revenue

Revenue increased by 30% from HKD668.50 million in 2QFY2016 to HKD868.72 million in 2QFY2017. The increase was mainly attributable to the increase of HKD168.67 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 2QFY2017.

Cost of sales

Cost of sales increased by 30% from HKD440.85 million in 2QFY2016 to HKD574.19 million in 2QFY2017. The increase was mainly due to the increase in construction cost arising from the increased construction services, which contributed to a construction revenue of HKD525.51 million in 2QFY2017 as compared to HKD356.84 million in 2QFY2016.

Gross profit margin

Overall gross profit margin in 2QFY2017 remained at the same level as 2QFY2016, being 34%. A larger portion of construction revenue was recognised in the mix of the total revenue in 2QFY2017 as compared with 2QFY2016 (60% vs. 53%). 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, the gross profit margin for operation services increased in 2QFY2017, and thus offset the impact of the larger portion of construction revenue.

Other income

Other income increased by 19% to HKD32.73 million in 2QFY2017 as compared with HKD27.40 million in 2QFY2016. 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 and government grants.

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 slightly decreased by 1% from HKD70.40 million in 2QFY2016 to HKD69.50 million in 2QFY2017. The slight 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, (b) increase in other taxes following the changes in tax interpretations by some local tax bureaus, and (c) non-occurrence of foreign exchange losses arising from borrowings pegged to USD. 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 slightly decreased from HKD51.43 million in 2QFY2016 to HKD50.43 million in 2QFY2017. The decrease was mainly due to the decrease of the average balance of borrowings in 2QFY2017 as compared to 2QFY2016.

Income tax expense

Income tax expense in 2QFY2017 decreased by 5% from HKD52.86 million in 2QFY2016 to HKD49.98 million in 2QFY2017. The decrease in income tax expense was a combined effect of (a) the increase in tax payable due to the higher profit before tax in 2QFY2017, and (b) the decrease in deferred tax in 2QFY2017 as compared with 2QFY2016. In 2QFY2016, due to the change in calculation of deferred tax, certain expenses were not deductible pursuant to the requirements of the local tax bureau, and thus led to a higher deferred tax expenses during that period.

Consolidated Statement of Financial Position

Assets

The total assets of the Group increased from HKD14.08 billion as at 31 December 2016 to HKD15.36 billion as at 30 June 2017, representing a growth of 9%. The increase in total assets was mainly attributable to the increase of service concession financial receivables and trade and other receivables.

Service concession financial receivables (including both current and non-current) increased from HKD8.97 billion as at 31 December 2016 to HKD10.15 billion as at 30 June 2017, representing an increase by HKD1.18 billion. The increase 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 1HFY2017.

Trade and other receivables (including both current and non-current) of the Group increased from HKD598.60 million as at 31 December 2016 to HKD727.22 million as at 30 June 2017. Among them, trade receivables increased by HKD44.01 million to HKD473.61 million as at 30 June 2017, which was mainly due to the seasonal settlement pattern as customers normally settled greater portion of trade receivables towards financial year end. Other receivables (including both current and non-current) increased by HKD84.61 million during 1HFY2017, which was mainly due to the increase in prepayments for construction works and value-added tax recoverables.

Liabilities

Total borrowings (including both current and non-current) increased by HKD307.72 million. The increase was mainly due to the proceeds from bank borrowings amounting to approximately HKD479.37 million, offset by repayment made for bank borrowings amounting to HKD246.01 million in 1HFY2017. Foreign exchange differences also had some impact on the balance of the total borrowings.

Increase of HKD314.63 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 HKD587.46 million as at 30 June 2017, a decrease of HKD238.21 million from HKD825.67 million as at 31 December 2016.

Equity

The Group's total equity amounted to HKD7.77 billion as at 30 June 2017 (31 December 2016: HKD7.19 billion). The increase was mainly due to the followings: (a) recognition of profit amounting to HKD288.64 million in 1HFY2017; (b) recognition of foreign currency translation gains of HKD199.48 million arising from the appreciation of RMB against HKD in 1HFY2017; (c) the decrease of HKD11.93 million in equity due to declaration and payment of final 2016 dividend in 1HFY2017; and (d) capital contribution of HKD97.96 million from non-controlling shareholders of subsidiaries in People's Republic of China (the "PRC") during 1HFY2017.

Consolidated Statement of Cash Flows

Cash and cash equivalents decreased from HKD1,359.40 million as at 31 December 2016 to HKD1,310.73 million as at 30 June 2017. Cash and cash equivalents included in the consolidated statement of cash flows is reconciled as follows:

	30 June 2017 HKD'000	31 December 2016 HKD'000
Cash and cash equivalents per consolidated statement of financial position	1,856,655	1,902,741
Less: Restricted bank balances	<u>(545,930)</u>	<u>(543,340)</u>
Cash and cash equivalents per consolidated statement of cash flows	<u>1,310,725</u>	<u>1,359,401</u>

Cash flows from operating activities

The Group had cash inflow of HKD291.71 million before working capital changes during 2QFY2017 (2QFY2016: HKD198.71 million). Changes in working capital and payment of income tax resulted in cash outflow of HKD144.46 million and HKD32.45 million respectively. As a result, the Group recorded a net cash inflow of HKD114.80 million from operating activities. The changes in working capital arose mainly from:

- (a) increase in service concession financial receivables by HKD499.73 million;
- (b) decrease in inventories by HKD12.42 million;
- (c) decrease in trade and other receivables by HKD123.57 million; and
- (d) increase in trade and other payables by HKD219.28 million.

Cash flows from investing activities

In 2QFY2017, the Group recorded a net cash outflow of HKD1.40 million from investing activities. The cash outflow mainly arose from payments for purchase of property, plant and equipment of HKD3.50 million and purchase of intangible assets of HKD0.44 million during the period. It was partially offset by interest of HKD2.50 million received and proceeds of HKD0.04 million received from disposals of property, plant and equipment during the period.

Cash flows from financing activities

The Group recorded a net cash inflow from financing activities of HKD155.70 million in 2QFY2017. 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) net proceeds from bank borrowings of HKD223.36 million;
- (c) net decrease in amounts due to related parties of HKD24.25 million;
- (d) dividend paid to shareholders of HKD12.35 million;
- (e) interest paid of HKD50.43 million; and
- (f) capital contribution from non-controlling shareholders of HKD19.54 million.

Subsequent events

On 21 July 2017, the Company entered into an underwriting agreement with the relevant financial institution in relation to the proposed issue of RMB-denominated corporate bonds with an aggregate principal amount of not exceeding RMB2.5 billion (the “Corporate Bonds”) to the qualified investors in the PRC, the proceeds of which will be used partly for repayment of the existing indebtedness and replenishment of the general working capital of the Group and partly for construction of the green projects and repayment of project borrowings of the green projects. On 24 July 2017 (the “Issue Date”), the Company issued the first tranche of the Corporate Bonds with principal amount of RMB1 billion, with a maturity period of five years from the Issue Date. The proceeds from the issue of the first tranche Corporate Bonds are used for repayment of the existing indebtedness of the Group and replenishment of the Group’s general working capital.

On 3 August 2017, the Company announced that it won the bid for Shandong Ji'nan Huashan Waste Water Treatment Project (“Huashan Project”). The Huashan Project will command a total investment of approximately RMB120 million, and it has a designed daily waste water treatment capacity of 30,000 m³.

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.

In 1HFY2017, the Group secured 6 new projects with a total investment of approximately RMB4.264 billion. Pursuing breakthroughs in new business and technological fields, the Group further expanded in new business areas such as integrated water environment management, comprehensive utilisation of water resources, urban and rural water supply and green water, apart from a steady development in the traditional area of waste water treatment. Meanwhile, it has implemented the environmental, safety, health and social responsibility (“ESHS”) management system and risk management system in full swing. The efforts in business development and internal management helped boost the Group’s operational and management efficiency, as well as its business growth.

The latest amendment to the “Water Pollution Prevention and Control Law of the People’s Republic of China” was approved in June 2017 and will be implemented in 2018. It provides a clear description of the responsibilities of governments at all levels in respect of the water environment quality. Policies encouraging technological innovation (such as the “Outlines of the 13th Five-Year Plan for Technology Development in Environmental Protection Sector of the People’s Republic of China” and the “13th Five-Year Plan for Technology Innovation in Environmental Sector”) explicitly aim to reinforce technological support towards ecological conservation and strengthen technological innovation to continuously improve the ecological environment. The issuance of various regulatory and supportive policies is leading the industry to gradually transit from rapid development to rational growth. It also inspires enterprises to have rational thinking and multifaceted innovation in technology, business model and management, so as to enhance their core competitiveness. On the other hand, the refinement and extension of policies regarding the public-private partnership (“PPP”) model also drives the industry to explore new business models and their development potential.

The Group believes that, with continuous improvement of the regulatory system and market mechanism, the water environment management industry has a dynamic market, strong domestic demands and a promising future. With the emerging trend in this industry, the Group will continue devoting significant efforts in technological research, development and innovation to improve its influence in the technological field. It will also constantly optimise its management system, improve the overall management and operational proficiency, and incorporate its strength in technology, management and operation into the Group's strategic plan. Leveraging on its core competitiveness in capital, business and technology, the Group will turn its potential into profit and challenges into opportunities, and lay a solid foundation for its business in the second half of the year and even the next few years.

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/recommendeded, 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 second quarter and half year ended 30 June 2017 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

An Xuesong

Executive Director and Chief Executive Officer

7 August 2017