

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 three months ended 31 March 2018 (“1QFY2018”).

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

	Group		Increase/ (decrease) %
	1QFY2018 <i>HKD'000</i>	1QFY2017 <i>HKD'000</i>	
Revenue	1,041,107	774,053	35%
Cost of sales	<u>(679,500)</u>	<u>(514,271)</u>	32%
Gross profit	361,607	259,782	39%
Other income	34,431	27,888	23%
Administrative and other operating expenses	<u>(58,199)</u>	<u>(46,022)</u>	26%
Results from operating activities	337,839	241,648	40%
Finance income	6,306	1,171	439%
Finance costs	(64,621)	(58,709)	10%
Share of profit of an associate	<u>723</u>	<u>1,933</u>	(63%)
Profit before tax	280,247	186,043	51%
Income tax expense	<u>(89,140)</u>	<u>(56,033)</u>	59%
Profit for the period	<u>191,107</u>	<u>130,010</u>	47%
Profit attributable to:			
Shareholders of the Company	178,119	114,497	56%
Non-controlling interests	<u>12,988</u>	<u>15,513</u>	(16%)
	<u>191,107</u>	<u>130,010</u>	47%

	Group		
	1QFY2018	1QFY2017	Increase/ (decrease)
	<i>HKD'000</i>	<i>HKD'000</i>	%
Profit for the period	191,107	130,010	47%
Other comprehensive income for the period <i>Item that may be reclassified subsequently to profit or loss</i>			
– Foreign currency translation differences	<u>461,865</u>	<u>89,384</u>	417%
Total comprehensive income for the period	<u>652,972</u>	<u>219,394</u>	198%
Total comprehensive income attributable to:			
Shareholders of the Company	612,022	200,356	205%
Non-controlling interests	<u>40,950</u>	<u>19,038</u>	115%
	<u>652,972</u>	<u>219,394</u>	198%

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

	Group		
	1QFY2018	1QFY2017	Increase/ (decrease)
	<i>HKD'000</i>	<i>HKD'000</i>	%
Depreciation of property, plant and equipment	4,763	4,736	1%
Amortisation of intangible assets	20,991	19,945	5%
Interest expenses on:			
– Related party bank borrowing	–	395	(100%)
– Other bank borrowings and corporate bond	64,621	55,800	16%
– Amounts due to group companies	–	2,514	(100%)

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

	Group		Company	
	31 March 2018 HKD'000	31 December 2017 HKD'000	31 March 2018 HKD'000	31 December 2017 HKD'000
Non-current assets				
Property, plant and equipment	157,013	152,038	26	26
Intangible assets	1,666,908	1,489,718	–	–
Goodwill	1,316,150	1,259,922	–	–
Interests in subsidiaries	–	–	11,907,581	11,700,251
Interest in an associate	2,153	1,445	–	–
Other receivables	39,443	10,515	–	–
Service concession financial receivables	11,046,236	10,313,724	–	–
	14,227,903	13,227,362	11,907,607	11,700,277
Current assets				
Inventories	38,741	14,342	–	–
Trade and other receivables	1,187,744	805,859	2,124,878	1,834,010
Service concession financial receivables	1,316,122	1,200,539	–	–
Fixed deposit with maturity period over three months	–	83,125	–	–
Cash and cash equivalents	2,009,316	2,716,692	22,359	27,783
	4,551,923	4,820,557	2,147,237	1,861,793
Total assets	18,779,826	18,047,919	14,054,844	13,562,070

	Group		Company	
	31 March 2018	31 December 2017	31 March 2018	31 December 2017
	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>
Equity				
Share capital	2,625,642	2,625,642	2,625,642	2,625,642
Reserves	5,843,563	5,231,541	7,749,130	7,346,805
Equity attributable to shareholders of the Company	8,469,205	7,857,183	10,374,772	9,972,447
Non-controlling interests	725,764	684,622	–	–
Total equity	<u>9,194,969</u>	<u>8,541,805</u>	<u>10,374,772</u>	<u>9,972,447</u>
Non-current liabilities				
Borrowings	4,060,718	4,728,030	2,072,948	2,077,690
Deferred tax liabilities	1,376,080	1,270,846	–	–
	5,436,798	5,998,876	2,072,948	2,077,690
Current liabilities				
Borrowings	2,720,952	1,903,722	1,451,311	1,356,402
Trade and other payables	1,371,034	1,553,565	155,813	155,531
Current tax liabilities	56,073	49,951	–	–
	4,148,059	3,507,238	1,607,124	1,511,933
Total liabilities	<u>9,584,857</u>	<u>9,506,114</u>	<u>3,680,072</u>	<u>3,589,623</u>
Total equity and liabilities	<u>18,779,826</u>	<u>18,047,919</u>	<u>14,054,844</u>	<u>13,562,070</u>
Net current assets	<u>403,864</u>	<u>1,313,319</u>	<u>540,113</u>	<u>349,860</u>

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

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

As at 31 March 2018		As at 31 December 2017	
Secured	Unsecured	Secured	Unsecured
<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>
563,084	2,157,868	248,881	1,654,841

(ii) *Amounts payable after one year*

As at 31 March 2018		As at 31 December 2017	
Secured	Unsecured	Secured	Unsecured
<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>
2,163,115	1,897,603	2,458,680	2,269,350

Details of collateral

The secured borrowings of the Group as at 31 March 2018 and 31 December 2017 were secured by certain revenue, receivables and intangible assets in connection with the Group's service concession arrangements and bank balances of the Group.

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

	1QFY2018 <i>HKD'000</i>	1QFY2017 <i>HKD'000</i>
Cash flows from operating activities		
Profit before tax	280,247	186,043
Adjustments for:		
Depreciation of property, plant and equipment	4,763	4,736
Amortisation of intangible assets	20,991	19,945
Loss on disposal of property, plant and equipment	–	11
Share of profit of an associate	(723)	(1,933)
Effect of foreign exchange rate changes	(10,307)	146
Net finance costs	58,315	57,538
	<hr/>	<hr/>
Operating cash flows before working capital changes	353,286	266,486
Changes in working capital:		
Service concession financial receivables	(324,891)	(472,507)
Inventories	(23,364)	(15,959)
Trade and other receivables	(360,507)	(239,187)
Trade and other payables	(348,607)	98,940
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Cash used in operations	(704,083)	(362,227)
Income tax paid	(42,209)	(15,731)
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Net cash used in operating activities	(746,292)	(377,958)
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Cash flows from investing activities		
Purchase of property, plant and equipment	(3,039)	(1,026)
Purchase of intangible assets	(25,547)	–
Decrease in fixed deposit with maturity period over three months and balances in financial institutions	134,258	–
Increase in amount due from an associate	(7,607)	–
Interest received	6,306	1,171
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Net cash generated from investing activities	104,371	145
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	1QFY2018 <i>HKD'000</i>	1QFY2017 <i>HKD'000</i>
Cash flows from financing activities		
Proceeds from borrowings	421,076	80,062
Repayments of borrowings	(461,326)	(70,069)
Increase in amounts due to intermediate holding companies	4	–
Increase in amounts due to fellow subsidiaries	3	1,762
Interest paid	(61,554)	(58,709)
Capital contribution from a non-controlling shareholder	192	78,420
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Net cash (used in)/generated from financing activities	(101,605)	31,466
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Net decrease in cash and cash equivalents	(743,526)	(346,347)
Cash and cash equivalents at the beginning of the period	2,074,414	1,359,401
Effect of exchange rate changes on cash and cash equivalents	79,642	13,069
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Cash and cash equivalents at end of the period	1,410,530	1,026,123
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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 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 2018	2,625,642	1,266,248	(22,051)	200,799	1,229,302	(2,181)	2,559,424	7,857,183	684,622	8,541,805
Profit for the period	-	-	-	-	-	-	178,119	178,119	12,988	191,107
Foreign currency translation differences	-	-	433,903	-	-	-	-	433,903	27,962	461,865
Capital contribution from a non-controlling shareholder	-	-	-	-	-	-	-	-	192	192
At 31 March 2018	<u>2,625,642</u>	<u>1,266,248</u>	<u>411,852</u>	<u>200,799</u>	<u>1,229,302</u>	<u>(2,181)</u>	<u>2,737,543</u>	<u>8,469,205</u>	<u>725,764</u>	<u>9,194,969</u>
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	<u>2,609,908</u>	<u>1,240,300</u>	<u>(493,761)</u>	<u>155,635</u>	<u>1,229,302</u>	<u>(2,181)</u>	<u>2,259,340</u>	<u>6,998,543</u>	<u>490,973</u>	<u>7,489,516</u>
Company										
At 1 January 2018	2,625,642	56,198	(492,810)	-	7,639,082	64,953	79,382	9,972,447	-	9,972,447
Loss for the period	-	-	-	-	-	-	(45,363)	(45,363)	-	(45,363)
Foreign currency translation differences	-	-	447,688	-	-	-	-	447,688	-	447,688
At 31 March 2018	<u>2,625,642</u>	<u>56,198</u>	<u>(45,122)</u>	<u>-</u>	<u>7,639,082</u>	<u>64,953</u>	<u>34,019</u>	<u>10,374,772</u>	<u>-</u>	<u>10,374,772</u>
At 1 January 2017	2,609,908	30,250	(1,084,703)	-	7,639,082	64,953	77,524	9,337,014	-	9,337,014
Loss for the period	-	-	-	-	-	-	(24,567)	(24,567)	-	(24,567)
Foreign currency translation differences	-	-	93,512	-	-	-	-	93,512	-	93,512
At 31 March 2017	<u>2,609,908</u>	<u>30,250</u>	<u>(991,191)</u>	<u>-</u>	<u>7,639,082</u>	<u>64,953</u>	<u>52,957</u>	<u>9,405,959</u>	<u>-</u>	<u>9,405,959</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

There has been no change in the Company’s share capital since 31 December 2017.

The Company does not have any outstanding convertibles, preference shares and treasury shares as at 31 March 2018 and 31 March 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

	31 March 2018	31 December 2017
Total number of issued shares excluding treasury shares ('000)	<u>2,625,642</u>	<u>2,625,642</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 auditor.

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 those of the audited financial statements for the financial year ended 31 December 2017.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

The Group adopted the new and revised International Financial Reporting Standards (“IFRS”) and Interpretations of IFRS (“INT IFRS”) that are effective for annual periods beginning on or after 1 January 2018. 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	1QFY2018	1QFY2017
Profit attributable to shareholders of the Company (HKD'000)	178,119	114,497
Weighted average number of ordinary shares in issue ('000)	2,625,642	2,609,908
Basic/diluted earnings per share (HKD)	<u>0.068</u>	<u>0.044</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	
	31 March 2018 HKD	31 December 2017 HKD	31 March 2018 HKD	31 December 2017 HKD
Net asset value per ordinary share based on the issued share capital as at the end of the respective period	<u>3.23</u>	<u>2.99</u>	<u>3.95</u>	<u>3.80</u>

Net asset value per ordinary share was calculated by the net asset value attributable to shareholders of the Company divided by the number of ordinary shares outstanding excluding treasury shares as at the end of the respective financial 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 1QFY2018, the revenue of the Group increased by 35% to HKD1,041.11 million compared with the revenue of HKD774.05 million in 1QFY2017. Gross profit of the Group increased from HKD259.78 million in 1QFY2017 to HKD361.61 million in 1QFY2018, representing an increase of 39%. The profit of the Group increased from HKD130.01 million in 1QFY2017 to HKD191.11 million in 1QFY2018, representing a rise of 47%. The profit attributable to shareholders of the Company in 1QFY2018 amounted to HKD178.12 million, which increased by 56% over 1QFY2017.

Consolidated Statement of Comprehensive Income

Revenue

Revenue increased by 35% from HKD774.05 million in 1QFY2017 to HKD1,041.11 million in 1QFY2018. The increase was mainly attributable to the increase of HKD110.63 million in construction revenue, HKD117.76 million in operation service income and HKD38.67 million in finance income. The increase in construction revenue was mainly attributable to construction of several water environment management projects including the sponge city construction project and the river-basin ecological restoration project, and construction of the water supply project in addition to the expansion and upgrading of several waste water treatment plants which were under construction during 1QFY2018. The increase in operation service income was the result of (i) commencement of operation of new projects during the remaining period of FY2017 and 1QFY2018; (ii) tariff hikes for several projects effected during the remaining period of FY2017 and 1QFY2018; and (iii) one-off income of HKD55.06 million arising from retrospective tariff adjustment in relation to a waste water treatment project. The increase in finance income was due to the increase of the total investment of the projects which were under construction or in operation.

Cost of sales

Cost of sales increased by 32% from HKD514.27 million in 1QFY2017 to HKD679.50 million in 1QFY2018. The increase was mainly due to the increase in construction cost arising from the increased construction services, which contributed a construction revenue of HKD562.35 million in 1QFY2018 as compared to that of HKD451.73 million in 1QFY2017.

Gross profit margin

Overall gross profit margin in 1QFY2018 increased to 35% (1QFY2017: 34%). It was mainly due to a smaller portion of construction revenue recognised in the mix of the total revenue of 1QFY2018 as compared to 1QFY2017, despite the fact that the construction revenue increased by HKD110.63 million in the corresponding period. Construction revenue comprised approximately 54% of total revenue in 1QFY2018 (1QFY2017: 58%). In general, construction services have lower gross profit margin as compared to operation services. Furthermore, due to tariff hikes for several projects effected during the remaining period of FY2017 and 1QFY2018, the gross profit margin for operation services increased, and thus led to slight increase in the overall gross profit margin in 1QFY2018.

Other income

Other income increased by 23% to HKD34.43 million in 1QFY2018 as compared with HKD27.89 million in 1QFY2017. Other income mainly consisted of value-added tax refund, government grant 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, legal and professional fees, research and development expenses and other taxes.

Administrative and other operating expenses increased by 26% from HKD46.02 million in 1QFY2017 to HKD58.20 million in 1QFY2018. The increase was mainly attributable to increase in staff costs, business development expenses and research and development expenses arising from business expansion of the Group in 1QFY2018.

Finance costs

Finance costs increased from HKD58.71 million in 1QFY2017 to HKD64.62 million in 1QFY2018. The increase was mainly due to the increase of the average balance of borrowings in 1QFY2018 as compared to 1QFY2017.

Income tax expense

Income tax expense in 1QFY2018 increased by 59% from HKD56.03 million in 1QFY2017 to HKD89.14 million in 1QFY2018. The increase in income tax expense was in line with the increase in profit before tax.

Consolidated Statement of Financial Position

Assets

The total assets of the Group increased from HKD18.05 billion as at 31 December 2017 to HKD18.78 billion as at 31 March 2018, representing a growth of 4%. The increase in total assets was mainly attributable to the net effect of increase in service concession financial receivables, intangible assets and trade and other receivables, and decrease in cash and cash equivalents.

Service concession financial receivables (including both current and non-current) increased from HKD11.51 billion as at 31 December 2017 to HKD12.36 billion as at 31 March 2018, representing an increase of HKD848.10 million, while intangible assets increased from HKD1.49 billion as at 31 December 2017 to HKD1.67 billion as at 31 March 2018, representing an increase of HKD177.19 million. The increase in service concession financial receivables and intangible assets was mainly attributable to the recognition of construction revenue for expansion and upgrading projects for several water plants, the sponge city construction project, the river-basin ecological restoration project, the water supply project and other water environment management projects during 1QFY2018.

Trade and other receivables (including both current and non-current) of the Group increased from HKD816.37 million as at 31 December 2017 to HKD1.23 billion as at 31 March 2018. Among them, trade receivables increased by HKD196.28 million to HKD610.06 million as at 31 March 2018, 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 HKD214.53 million during 1QFY2018, which was mainly driven by the increase in prepayments for construction works, 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 HKD149.92 million. The increase was mainly due to the proceeds from borrowings amounting to approximately HKD421.08 million, offset by repayments made for borrowings amounting to HKD461.33 million in 1QFY2018 with the effect of exchange differences of borrowings.

The decrease of HKD182.53 million in trade and other payables was mainly due to the settlement of construction payables and accrued expenses during 1QFY2018.

The Group was in a net current asset position of HKD403.86 million as at 31 March 2018, representing a decrease of HKD909.46 million from HKD1.31 billion as at 31 December 2017. The decrease was primarily due to increase in borrowings in current liabilities which were reclassified from non-current liabilities as those borrowings become due within one year.

Equity

The Group's total equity amounted to HKD9.19 billion as at 31 March 2018 (31 December 2017: HKD8.54 billion). The increase was mainly due to the following: (a) profit amounting to HKD191.11 million recognised in 1QFY2018; (b) foreign currency translation gains of HKD461.87 million recognised in 1QFY2018 arising from appreciation of RMB against HKD; and (c) capital contribution of HKD0.19 million from a non-controlling shareholder of a subsidiary during 1QFY2018.

Consolidated Statement of Cash Flows

Cash and cash equivalents decreased from HKD2.07 billion as at 31 December 2017 to HKD1.41 billion as at 31 March 2018. Cash and cash equivalents included in the consolidated statement of cash flows is reconciled as follows:

	31 March 2018 HKD'000	31 December 2017 HKD'000
Cash and cash equivalents per consolidated statement of financial position	2,009,316	2,716,692
Less: Restricted bank balances	(549,150)	(547,278)
Balances in financial institutions	(49,636)	(95,000)
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Cash and cash equivalents per consolidated statement of cash flows	<u>1,410,530</u>	<u>2,074,414</u>

Cash flows from operating activities

The Group had cash inflow of HKD353.29 million before working capital changes during 1QFY2018 (1QFY2017: HKD266.49 million). Changes in working capital and payment of income tax resulted in cash outflow of HKD1.06 billion and HKD42.21 million respectively. As a result, the Group recorded a net cash outflow of HKD746.29 million from operating activities. The changes in working capital arose mainly from:

- (a) increase in service concession financial receivables by HKD324.89 million;
- (b) increase in inventories by HKD23.36 million;
- (c) increase in trade and other receivables by HKD360.51 million; and
- (d) decrease in trade and other payables by HKD348.61 million.

Cash flows from investing activities

In 1QFY2018, the Group recorded a net cash inflow of HKD104.37 million from investing activities. The cash inflow mainly arose from net decrease in fixed deposits with maturity period over three months and balances in financial institutions of HKD134.26 million and receipt of interest of HKD6.31 million. This was partially offset by payments for purchase of property, plant and equipment of HKD3.04 million, purchase of intangible assets of HKD25.55 million and increase in amount due from an associate of HKD7.61 million during the period.

Cash flows from financing activities

The Group recorded a net cash outflow from financing activities of HKD101.61 million in 1QFY2018. The net cash outflow was mainly caused by:

- (a) payment of net repayments of borrowings of HKD40.25 million;
- (b) payment of interest of HKD61.55 million; and
- (c) capital contribution from a non-controlling shareholder of HKD0.19 million.

Subsequent events

None.

- 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 1QFY2018, the Group maintained its momentum of “making steady progress and forging ahead for the future”, and made improvements in business expansion, project construction, operations management, among others. During this quarter, the Group continued solidifying its advantageous market position in Shandong Province by successfully implementing multiple sub-projects under Ji’nan Zhangqiu Urban-Rural Integration Water Supply Project and securing Dezhou Ling County Waste Water Treatment Project Plant 2 Upgrading. In addition, the Group’s project construction works

progressed smoothly. As for operations management, Lianyungang Dapu Waste Water Treatment Project and Lianyungang Xugou Waste Water Treatment Project received regulatory approval to effect water tariff hikes. All these signify a promising start to year 2018.

During this quarter, the Chinese government unveiled the institutional reform plan of the State Council. In accordance with the plan, the Ministry of Ecology and Environment was established to replace the Ministry of Environmental Protection. The new ministry consolidates all responsibilities related to ecological environment protection that were previously assigned to various government departments. It is also in charge of supervision, regulation and enforcement with respect to the ecology and all types of pollutant emissions in urban and rural areas. This reform further boosted China's efforts in environmental pollution control. Under the framework of "top-down design", various policies and measures are expected to deliver better performance and outcome. The aforementioned policies and measures include: the primary environmental protection policies that came into effect at the beginning of 2018; the control measures relating to the treatment of black and odorous water bodies, sponge city construction and other sub-areas; and the administrative measures to improve the emission permit system, enhance environmental awareness and education. Following its inauguration, the Ministry of Ecology and Environment announced that it will focus on several major aspects, including the "Blue Sky Battle", "Clear Water Action" and "Clean Soil Action" to conquer the battle of pollution control. The ministry will also conduct integrated analysis of environmental quality for the key regions in accordance with the key national strategies, such as the coordinated development of Beijing, Tianjin and Hebei; the development of the Yangtze River Economic Belt; and the construction of the Xiong'an New Area. These will continue guiding the future development of the environmental protection industry. The stable development of the water environment management sector will also continue benefiting from the national policy support, and the sector is expected to further improve in terms of its scale, professionalism and standards, which will help foster a win-win situation for China's economic development and ecological reservation.

Given the robust and upward industrial trends, the Group, as an environmental protection company focusing on water environment management, will continue following the policies issued at all levels, devoting its efforts on comprehensive management of water environment, comprehensive utilisation of water resources and comprehensive protection of water ecology. It will also explore and seek innovation in the areas of business expansion, technology research and development, operations management, financial structure, amongst others. The Group aims to enhance its overall strengths, actively embrace development opportunities, confidently overcome all challenges and strive to work its way through opportunities and challenges.

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 first quarter ended 31 March 2018 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

An Xuesong

Executive Director and Chief Executive Officer

10 May 2018