

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CHINA EVERBRIGHT INTERNATIONAL LIMITED

中國光大國際有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 257)

INSIDE INFORMATION – RESULTS ANNOUNCEMENT OF A SUBSIDIARY

This announcement is made by China Everbright International Limited (the “**Company**”) pursuant to Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Pursuant to Rule 705 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX**”), China Everbright Water Limited (“**CEWL**”), a public company listed on the SGX and a 74.72% owned subsidiary of the Company, announced the unaudited consolidated results of CEWL and its subsidiaries for the three months ended 31 March 2017 on the website of www.sgx.com of SGX on 11 May 2017.

The attachment is the results announcement of CEWL presented in thousands of Hong Kong dollars unless otherwise stated and the English version of the results announcement shall prevail over the Chinese version.

By Order of the Board
China Everbright International Limited
Poon Yuen Ling
Company Secretary

Hong Kong, 11 May 2017

As at the date of this announcement, the Board comprises: (i) five executive directors, namely Mr. Cai Yunge (Chairman), Mr. Chen Xiaoping (Chief Executive Officer), Mr. Wang Tianyi, Mr. Wong Kam Chung, Raymond and Mr. Cai Shuguang; (ii) a non-executive director, namely Mr. Tang Shuangning; and (iii) four independent non-executive directors, namely Mr. Fan Yan Hok, Philip, Mr. Mar Selwyn, Mr. Li Kwok Sing, Aubrey and Mr. Zhai Haitao.

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 2017 (“1QFY2017”).

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) %
	1QFY2017 <i>HKD'000</i>	1QFY2016 <i>HKD'000</i>	
Revenue	774,053	657,240	18%
Cost of sales	<u>(514,271)</u>	<u>(420,875)</u>	22%
Gross profit	259,782	236,365	10%
Other income	27,888	30,703	(9%)
Administrative and other operating expenses	<u>(46,022)</u>	<u>(68,145)</u>	(32%)
Results from operating activities	241,648	198,923	21%
Finance income	1,171	1,065	10%
Finance costs	(58,709)	(46,475)	26%
Share of profit of an associate	<u>1,933</u>	–	NM
Profit before tax	186,043	153,513	21%
Income tax expense	<u>(56,033)</u>	<u>(47,414)</u>	18%
Profit for the period	<u>130,010</u>	<u>106,099</u>	23%
Profit attributable to:			
Shareholders of the Company	114,497	103,143	11%
Non-controlling interests	<u>15,513</u>	<u>2,956</u>	NM
	<u>130,010</u>	<u>106,099</u>	23%

	Group		
	1QFY2017	1QFY2016	Increase/ (decrease)
	HKD'000	HKD'000	%
Profit for the period	130,010	106,099	23%
Other comprehensive income for the period			
<i>Item that may be reclassified</i>			
<i>subsequently to profit or loss</i>			
– Foreign currency translation differences	<u>89,384</u>	<u>1,078</u>	NM
Total comprehensive income for the period	<u>219,394</u>	<u>107,177</u>	105%
Total comprehensive income attributable to:			
Shareholders of the Company	200,356	104,234	92%
Non-controlling interests	<u>19,038</u>	<u>2,943</u>	NM
	<u>219,394</u>	<u>107,177</u>	105%

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

	Group		
	1QFY2017	1QFY2016	Increase/ (decrease)
	HKD'000	HKD'000	%
Depreciation of property, plant and equipment	4,736	3,788	25%
Amortisation of intangible assets	19,945	20,128	(1%)
Interest expenses on:			
– Related party bank borrowing	395	705	(44%)
– Other bank borrowings	55,800	43,088	30%
– Amounts due to group companies	2,514	2,682	(6%)

NM: Not meaningful

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

	Group		Company	
	31 March 2017 HKD'000	31 December 2016 HKD'000	31 March 2017 HKD'000	31 December 2016 HKD'000
Non-current assets				
Property, plant and equipment	148,737	147,971	30	31
Intangible assets	1,252,926	1,259,449	–	–
Goodwill	1,197,271	1,185,478	–	–
Interests in subsidiaries	–	–	9,355,701	9,190,573
Interest in an associate	3,260	1,327	–	–
Other receivables	9,870	9,863	–	–
Service concession financial receivables	8,713,474	8,179,732	–	–
	<u>11,325,538</u>	<u>10,783,820</u>	<u>9,355,731</u>	<u>9,190,604</u>
Current assets				
Inventories	30,388	14,323	–	–
Trade and other receivables	833,379	588,739	1,995,352	2,096,933
Service concession financial receivables	820,125	791,609	–	–
Cash and cash equivalents	1,569,866	1,902,741	34,424	30,716
	<u>3,253,758</u>	<u>3,297,412</u>	<u>2,029,776</u>	<u>2,127,649</u>
Total assets	<u>14,579,296</u>	<u>14,081,232</u>	<u>11,385,507</u>	<u>11,318,253</u>

	Group		Company	
	31 March	31 December	31 March	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	2,609,908	2,609,908	2,609,908	2,609,908
Reserves	4,388,635	4,188,279	6,796,051	6,727,106
Equity attributable to shareholders of the Company	6,998,543	6,798,187	9,405,959	9,337,014
Non-controlling interests	490,973	393,515	–	–
Total equity	7,489,516	7,191,702	9,405,959	9,337,014
Non-current liabilities				
Borrowings	3,374,741	3,366,091	1,144,117	1,203,692
Deferred tax liabilities	1,090,298	1,051,692	–	–
	4,465,039	4,417,783	1,144,117	1,203,692
Current liabilities				
Borrowings	1,552,792	1,521,407	818,624	756,892
Trade and other payables	1,048,845	937,238	16,807	20,655
Current tax liabilities	23,104	13,102	–	–
	2,624,741	2,471,747	835,431	777,547
Total liabilities	7,089,780	6,889,530	1,979,548	1,981,239
Total equity and liabilities	14,579,296	14,081,232	11,385,507	11,318,253
Net current assets	629,017	825,665	1,194,345	1,350,102

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 31 March 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>
181,645	1,371,147	116,715	1,404,692

(ii) *Amount payable after one year*

As at 31 March 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>
2,301,727	1,073,014	2,281,066	1,085,025

Details of Collateral

The secured borrowings of the Group as at 31 March 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

	1QFY2017 <i>HKD'000</i>	1QFY2016 <i>HKD'000</i>
Cash flows from operating activities		
Profit before tax	186,043	153,513
Adjustments for:		
Depreciation of property, plant and equipment	4,736	3,788
Amortisation of intangible assets	19,945	20,128
Loss on disposal of property, plant and equipment	11	–
Share of profit of an associate	(1,933)	–
Effect of foreign exchange rates changes	146	2,272
Net finance costs	57,538	45,410
Operating cash flows before working capital changes	266,486	225,111
Changes in working capital:		
Service concession financial receivables	(472,507)	(110,017)
Inventories	(15,959)	305
Trade and other receivables	(239,187)	(188,625)
Trade and other payables	98,940	103,770
Cash (used in)/generated from operations	(362,227)	30,544
Income tax paid	(15,731)	(41,261)
Net cash used in operating activities	(377,958)	(10,717)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,026)	(2,082)
Interest received	1,171	1,065
Net cash generated from/(used in) investing activities	145	(1,017)

	1QFY2017 <i>HKD'000</i>	1QFY2016 <i>HKD'000</i>
Cash flows from financing activities		
Payment of shares buy-back	–	(21,139)
Proceeds from bank borrowings	80,062	1,039,038
Repayment of bank borrowings	(70,069)	(991,720)
Increase in restricted bank balances	–	(310,160)
Increase in amounts due to intermediate holding companies	–	745
Increase in amount due to a fellow subsidiary	1,762	1,884
Interest paid	(58,709)	(46,475)
Capital contribution from a non-controlling shareholder	78,420	–
Net cash generated from/(used in) financing activities	31,466	(327,827)
Net decrease in cash and cash equivalents	(346,347)	(339,561)
Cash and cash equivalents at the beginning of the period	1,359,401	1,288,550
Effect of exchange rate changes on cash and cash equivalents	13,069	(162)
Cash and cash equivalents at end of the period	1,026,123	948,827

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 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>
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	<u>2,600,221</u>	<u>1,210,050</u>	<u>(796)</u>	<u>121,317</u>	<u>1,230,162</u>	<u>(2,181)</u>	<u>1,985,265</u>	<u>7,144,038</u>	<u>239,020</u>	<u>7,383,058</u>
Company										
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>
At 1 January 2016	2,608,014	-	(424,795)	-	7,653,288	64,953	113,540	10,015,000	-	10,015,000
Loss for the period	-	-	-	-	-	-	(9,141)	(9,141)	-	(9,141)
Foreign currency translation differences	-	-	(1,230)	-	-	-	-	(1,230)	-	(1,230)
Share buy-back	(7,793)	-	-	-	(13,346)	-	-	(21,139)	-	(21,139)
At 31 March 2016	<u>2,600,221</u>	<u>-</u>	<u>(426,025)</u>	<u>-</u>	<u>7,639,942</u>	<u>64,953</u>	<u>104,399</u>	<u>9,983,490</u>	<u>-</u>	<u>9,983,490</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 2016.

The Company does not have any outstanding convertibles, preference shares and treasury shares as at 31 March 2017 and 31 March 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

	31 March 2017	31 December 2016
Total number of issued shares excluding treasury shares ('000)	<u>2,609,908</u>	<u>2,609,908</u>

2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the Company’s auditors.

3. Where the figures have been audited, or reviewed, the auditors’ report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer’s most recently audited annual financial statements have been applied.

Except as disclosed in Note 5, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of 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	1QFY2017	1QFY2016
Profit attributable to shareholders of the Company (HKD'000)	114,497	103,143
Weighted average number of ordinary shares in issue ('000)	2,609,908	2,601,548
Basic/diluted earnings per share (HKD)	<u>0.044</u>	<u>0.040</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 2017 HKD	31 December 2016 HKD	31 March 2017 HKD	31 December 2016 HKD
Net asset value per ordinary share based on the issued share capital as at the end of the respective period	<u>2.68</u>	<u>2.60</u>	<u>3.60</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 1QFY2017, the revenue of the Group increased by 18% to HKD774.05 million compared with the revenue of HKD657.24 million in 1QFY2016. Gross profit of the Group increased from HKD236.37 million in 1QFY2016 to HKD259.78 million in 1QFY2017, representing an increase of 10%. The profit of the Group increased from HKD106.10 million in 1QFY2016 to HKD130.01 million in 1QFY2017, representing a rise of 23%. The profit attributable to shareholders of the Company in 1QFY2017 amounted to HKD114.50 million, which increased by 11% over 1QFY2016.

Consolidated Statement of Comprehensive Income

Revenue

Revenue increased by 18% from HKD657.24 million in 1QFY2016 to HKD774.05 million in 1QFY2017. The increase was mainly attributable to the increase of HKD109.09 million in construction revenue. The increase in construction revenue was mainly attributable to constructions 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 1QFY2017.

Cost of sales

Cost of sales increased by 22% from HKD420.88 million in 1QFY2016 to HKD514.27 million in 1QFY2017. The increase was mainly due to the increase in construction cost arising from the increased construction services, which contributed a construction revenue of HKD451.73 million in 1QFY2017 as compared to that of HKD342.64 million in 1QFY2016.

Gross profit margin

Overall gross profit margin in 1QFY2017 decreased to 34% (1QFY2016: 36%), which was mainly due to a larger portion of construction revenue recognised in the mix of the total revenue of 1QFY2017 as compared to 1QFY2016. Construction revenue comprised approximately 58% of total revenue in 1QFY2017 (1QFY2016: 52%). In general, construction services have lower gross profit margin as compared to operation services.

Other income

Other income decreased by 9% to HKD27.89 million in 1QFY2017 as compared with HKD30.70 million in 1QFY2016. Other income mainly consisted of value-added tax refund, government grant and other sundry income. The decrease in other income was mainly due to the drop in value-added tax refund.

Administrative and other operating expenses

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

Administrative and other operating expenses decreased by 32% from HKD68.15 million in 1QFY2016 to HKD46.02 million in 1QFY2017. The decrease was mainly attributable to recognition of foreign exchange losses in 1QFY2016 arising from borrowings pegged to USD as RMB depreciated against USD during that period. These borrowings pegged to USD had been fully repaid by the end of July 2016. No further foreign exchange differences related to such borrowings were recognised since then.

Finance costs

Finance costs increased from HKD46.48 million in 1QFY2016 to HKD58.71 million in 1QFY2017. The increase was mainly due to: (i) the increase of the average balance of borrowings in 1QFY2017 as compared to 1QFY2016; and (ii) the increase in the proportion of long-term borrowings from 45% in 1QFY2016 to 68% in 1QFY2017. The long-term borrowings generally bear higher interest rate compared with the short-term ones.

Income tax expense

Income tax expense in 1QFY2017 increased by 18% from HKD47.41 million in 1QFY2016 to HKD56.03 million in 1QFY2017. 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 HKD14.08 billion as at 31 December 2016 to HKD14.58 billion as at 31 March 2017, representing a growth of 4%. The increase in total assets was mainly attributable to the increase of service concession financial receivables and trade and other receivables.

Cash and cash equivalents decreased from HKD1.90 billion as at 31 December 2016 to HKD1.57 billion as at 31 March 2017.

Service concession financial receivables (including both current and non-current) increased from HKD8.97 billion as at 31 December 2016 to HKD9.53 billion as at 31 March 2017, representing an increase by HKD0.56 billion. The increase in service concession financial receivables was mainly attributable to the recognition of construction revenue for several water plants, the sponge city construction project and the river-basin ecological restoration project during 1QFY2017.

Trade and other receivables (including both current and non-current) of the Group increased from HKD598.60 million as at 31 December 2016 to HKD843.25 million as at 31 March 2017. Among them, trade receivables increased by HKD162.77 million to HKD592.37 million as at 31 March 2017, which was mainly due to the seasonal settlement pattern as customers normally settled greater portion of trade receivables towards financial year end. As a comparison, trade receivables decreased by 10% from HKD657.09 million as at 31 March 2016 to HKD592.37 million as at 31 March 2017. Other receivables (including both current and non-current) increased by HKD81.88 million during 1QFY2017, which was mainly due to the increase in prepayments for construction works and tender deposits.

Liabilities

Total borrowings (including both current and non-current) increased by HKD40.04 million. The increase was mainly due to the proceeds from bank borrowings amounting to approximately HKD80.06 million, offset by repayment made for bank borrowings amounting to HKD70.07 million in 1QFY2017 with the effect of exchange differences of borrowings.

Increase of HKD111.61 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 HKD629.02 million as at 31 March 2017, a decrease of HKD196.65 million from HKD825.67 million as at 31 December 2016.

Equity

The Group's total equity amounted to HKD7.49 billion as at 31 March 2017 (31 December 2016: HKD7.19 billion). The increase was mainly due to the following: (i) profit amounting to HKD130.01 million recognised in 1QFY2017; (ii) capital contribution of HKD78.42 million from a non-controlling shareholder of a PRC subsidiary during 1QFY2017; and (iii) foreign currency translation gains of HKD89.38 million arising from slight appreciation of RMB against HKD recognised in 1QFY2017 which have been included in other comprehensive income.

Consolidated Statement of Cash Flows

Cash and cash equivalents decreased from HKD1,359.40 million as at 31 December 2016 to HKD1,026.12 million as at 31 March 2017. Cash and cash equivalents included in the consolidated statement of cash flows is reconciled as follows:

	31 March 2017 HKD'000	31 December 2016 HKD'000
Cash and cash equivalents per consolidated statement of financial position	1,569,866	1,902,741
Less: Restricted bank balances	(543,743)	(543,340)
	<hr/>	<hr/>
Cash and cash equivalents per consolidated statement of cash flows	1,026,123	1,359,401

Cash flows from operating activities

The Group had cash inflow of HKD266.49 million before working capital changes during 1QFY2017 (1QFY2016: HKD225.11 million). Changes in working capital and payment of income tax resulted in cash outflow of HKD628.71 million and HKD15.73 million respectively. As a result, the Group recorded a net cash outflow of HKD377.96 million from operating activities. The changes in working capital arose mainly from:

- (1) increase in service concession financial receivables by HKD472.51 million;
- (2) increase in inventories by HKD15.96 million;
- (3) increase in trade and other receivables by HKD239.19 million; and
- (4) increase in trade and other payables by HKD98.94 million.

Cash flows from investing activities

In 1QFY2017, the Group recorded a net cash inflow of HKD0.15 million from investing activities. The cash inflow was mainly arising from interest of HKD1.17 million received during 1QFY2017. It was partially offset by payments for purchase of property, plant and equipment of HKD1.02 million.

Cash flows from financing activities

The Group recorded a net cash inflow from financing activities of HKD31.47 million in 1QFY2017. The net cash inflow was caused by:

- (1) net proceeds from bank borrowings of HKD9.99 million;
- (2) net increase in amounts due to related parties of HKD1.76 million;
- (3) interest paid of HKD58.71 million; and
- (4) capital contribution from a non-controlling shareholder of HKD78.42 million.

Subsequent events

On 30 April 2017, the Company entered into a concession contract with the Public Utility Bureau of Zhangqiu District, Ji'nan City, Shandong Province, the PRC in relation to the Ji'nan Zhangqiu Urban-Rural Integration Water Supply Concession Project (the "Project"). Pursuant to the concession contract, the Project includes implementation of a management contract ("MC") sub-project, a Built-Operate-Transfer ("BOT") sub-project and a Transfer-Operate-Transfer ("TOT") sub-project.

The total investment amount of the Project is expected to be approximately RMB3,055,800,000 (equivalent to approximately HKD3,453,054,000). The concession period of the Project shall be 30 years, including the construction period.

Pursuant to the concession contract, the Company and an investor representative of the People's Government of Zhangqiu District (the "Government Representative") will establish a project company (the "Project Company"), with a registered capital of RMB1,018,600,000 (equivalent to approximately HKD1,151,018,000). The Company will hold an 80 per cent. equity stake in the Project Company, with the remaining 20 per cent. equity stake to be held by the Government Representative.

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 1QFY2017, the “prudent, active and practical” development approach continued to serve as a guidance for the Group to proactively drive forward the organic growth. During this quarter, the Group achieved breakthroughs in the business area of the urban-rural integration water supply, and obtained new projects in the areas of waste water treatment and integrated environmental water services, which involved a total investment over RMB4 billion. All in all, 2017 is off to a promising start.

Following the introduction of a series of policies and measures for environmental protection in 2016, the central and the local governments in China continued to put forward more targeted environmental water services policies in 1QFY2017. “The 13th Five-Year Plan on National Urban Waste Water Treatment and Recycling Facilities Construction” suggests that the efforts in the construction of urban waste water treatment facilities shall be further stepped up, and the national waste water treatment rate shall be improved. It targeted to improve the overall quality of the constructions instead of only to increase the quantity during the period of the 13th Five-Year Plan, which sets a new direction for the development of the waste water treatment industry; “The 2017 Working Priorities of Rural Development Department at the Ministry of Housing and Urban-Rural Development of the PRC” puts rural waste water treatment on the agenda and broadens the market of the environmental water services industry. In addition, in order to ensure the effective implementation of the relevant policies, the government also introduced more potent and stringent regulatory assessment measures such as “The Implementation Plan for Assessing the Implementation of the Strictest Water Resources Management System under the 13th Five-Year Plan” during the period. These policies and measures will be beneficial to well-established enterprises, and enable them to stand out among the others and seek long-term development.

As an enterprise that focuses on investment and operation of integrated environmental water services, the Group will remain focused on development driven by technology innovation to continuously establish its brand in the environmental water services technology field. For market expansion, the Group will continue to penetrate into the market where its existing projects are located, and explore more business opportunities; meanwhile, the Group will also proactively explore new business areas in accordance with environmental water services policies at all levels to improve its future profitability. For operation management, the Group will further deepen the regional management model, enhance the establishment of management systems, and strengthen internal and cultural integration to improve the overall synergy and operational efficiency, and lay a solid foundation for its steady and rapid development in the future.

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 first quarter ended 31 March 2017 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

An Xuesong

Executive Director and Chief Executive Officer

11 May 2017