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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 74.40% owned subsidiary of the Company, announced the unaudited consolidated results of CEWL and its subsidiaries for the second quarter and half year ended 30 June 2015 on the website of www.sgx.com of SGX on 31 July 2015.

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
Wong Kam Chung, Raymond
Executive Director

Hong Kong, 31 July 2015

As at the date of this announcement, the Board comprises: (i) six executive directors, namely Mr. Tang Shuangning (Chairman), Mr. Liu Jun (Vice-chairman), Mr. Chen Xiaoping (Chief Executive Officer), Mr. Wang Tianyi, Mr. Wong Kam Chung, Raymond and Mr. Cai Shuguang; and (ii) 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

Unaudited financial statements for the second quarter and half year ended 30 June 2015

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

	Group			Group		
	2QFY2015 HKD'000	2QFY2014 HKD'000	Increase/ -decrease %	1HFY2015 HKD'000	1HFY2014 HKD'000	Increase/ -decrease %
Revenue	509,818	263,935	93%	946,144	505,837	87%
Cost of sales	(284,224)	(88,120)	223%	(502,911)	(196,694)	156%
Gross profit	225,594	175,815	28%	443,233	309,143	43%
Other income	13,069	1,203	986%	22,104	3,911	465%
Administrative expenses	(45,245)	(11,085)	308%	(91,019)	(31,070)	193%
Operating profit	193,418	165,933	17%	374,318	281,984	33%
Finance costs	(33,320)	(19,386)	72%	(70,444)	(34,738)	103%
Profit before tax	160,098	146,547	9%	303,874	247,246	23%
Income tax	(44,197)	(41,071)	8%	(83,326)	(69,056)	21%
Net profit for the period	115,901	105,476	10%	220,548	178,190	24%
Other comprehensive income	(2,096)	(11,717)	-82%	2,617	(82,326)	-103%
Total comprehensive income for the financial period	113,805	93,759	21%	223,165	95,864	133%
Net profit attributable to:						
Owners of the Company	110,406	98,245	12%	211,267	165,999	27%
Non-controlling interests	5,495	7,231	-24%	9,281	12,191	-24%
	115,901	105,476	10%	220,548	178,190	24%

	Group			Group		
	2QFY2015	2QFY2014	Increase/ -decrease	1HFY2015	1HFY2014	Increase/ -decrease
	<i>HKD'000</i>	<i>HKD'000</i>	%	<i>HKD'000</i>	<i>HKD'000</i>	%
Total comprehensive income attributable to:						
Owners of the Company	108,592	87,923	24%	213,611	92,092	132%
Non-controlling interests	5,213	5,836	-11%	9,554	3,772	153%
	<u>113,805</u>	<u>93,759</u>	21%	<u>223,165</u>	<u>95,864</u>	133%

Note 1

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

Depreciation	5,271	1,895	178%	10,020	6,687	50%
Amortisation of intangible assets	13,526	1,291	948%	26,805	2,565	945%
Interest expense on:						
related party bank borrowings	763	651	17%	2,437	2,456	-1%
other bank borrowings	29,053	11,720	148%	60,601	22,430	170%
amounts due to group companies	3,504	7,015	-50%	7,406	9,852	-25%

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 2015 HKD'000	31 December 2014 HKD'000	30 June 2015 HKD'000	31 December 2014 HKD'000
Current assets				
Cash and cash equivalents	1,037,911	681,101	59,569	103,109
Trade and other receivables	687,849	515,363	972,909	48,232
Financial receivables	476,624	483,143	–	–
Inventories	47,022	28,912	–	–
	<u>2,249,406</u>	<u>1,708,519</u>	<u>1,032,478</u>	<u>151,341</u>
Non-current assets				
Property, plant and equipment	168,752	173,559	6	10
Financial receivables	4,743,489	4,483,539	–	–
Intangible assets	926,142	950,594	–	–
Goodwill	1,045,316	1,043,545	–	–
Investment in subsidiaries	–	–	9,956,353	9,931,051
Other receivables	1,786,916	1,751,793	–	–
	<u>8,670,615</u>	<u>8,403,030</u>	<u>9,956,359</u>	<u>9,931,061</u>
Current liabilities				
Borrowings	923,696	762,718	541,235	281,248
Trade and other payables	525,763	599,843	65,585	68,795
Other financial liabilities	22,277	23,230	22,277	23,230
Provision for income tax	27,981	19,566	–	–
	<u>1,499,717</u>	<u>1,405,357</u>	<u>629,097</u>	<u>373,273</u>

	Group		Company	
	30 June 2015 HKD'000	31 December 2014 HKD'000	30 June 2015 HKD'000	31 December 2014 HKD'000
Net current assets/(liabilities)	749,689	303,162	403,381	(221,932)
Non-current liabilities				
Borrowings	872,083	1,061,730	–	–
Deferred tax liabilities	857,392	828,977	–	–
Other payables	256,741	264,325	–	–
	<u>1,986,216</u>	<u>2,155,032</u>	<u>–</u>	<u>–</u>
Net assets	<u>7,434,088</u>	<u>6,551,160</u>	<u>10,359,740</u>	<u>9,709,129</u>
Capital and reserves				
Share capital	2,670,098	2,549,345	2,670,098	2,549,345
Reserves	4,528,756	3,776,135	7,689,642	7,159,784
Equity attributable to owners of the Company	7,198,854	6,325,480	10,359,740	9,709,129
Non-controlling interests	235,234	225,680	–	–
	<u>7,434,088</u>	<u>6,551,160</u>	<u>10,359,740</u>	<u>9,709,129</u>

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

Amount payable within one year or less, or on demand

As at 30 June 2015		As at 31 December 2014	
Secured	Unsecured	Secured	Unsecured
<i>(HKD'000)</i>	<i>(HKD'000)</i>	<i>(HKD'000)</i>	<i>(HKD'000)</i>
362,503	561,193	440,673	322,045

Amount payable after one year

As at 30 June 2015		As at 31 December 2014	
Secured	Unsecured	Secured	Unsecured
<i>(HKD'000)</i>	<i>(HKD'000)</i>	<i>(HKD'000)</i>	<i>(HKD'000)</i>
771,361	100,722	906,435	155,295

Details of Collateral

The secured borrowings of the Group as at 30 June 2015 and 31 December 2014 were secured by certain fixed assets, bank deposits, revenue, receivables and intangible assets in connection with the Group's service concession arrangements.

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

	2QFY2015	2QFY2014	1HFY2015	1HFY2014
	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>
Cash flows from operating activities				
Profit before tax	160,098	146,547	303,874	247,246
Adjustments for:				
Depreciation of property, plant and equipment	5,271	1,895	10,020	6,687
Amortisation of intangible assets	13,526	1,291	26,805	2,565
Net fair value loss on warrants	(442)	–	(442)	–
Net loss on disposal of property, plant and equipment	–	148	–	148
Unrealised exchange (gain)/loss	(16,324)	(955)	(12,659)	3,984
Net finance costs	32,283	19,080	68,986	33,832
	<hr/>	<hr/>	<hr/>	<hr/>
Operating cash flow before working capital changes	194,412	168,006	396,584	294,462
Changes in working capital				
Financial receivables	(163,088)	20,278	(244,862)	35,461
Inventories	(7,193)	(384)	(18,060)	(620)
Trade and other receivables	21,785	43,938	(203,699)	(80,869)
Trade and other payables	74,620	(44,657)	27,844	(241,555)
	<hr/>	<hr/>	<hr/>	<hr/>
Cash generated from/(used in) operations	120,536	187,181	(42,193)	6,879
Income tax paid	(33,142)	(19,773)	(48,306)	(32,127)
	<hr/>	<hr/>	<hr/>	<hr/>
Net cash generated from/(used in) operating activities	87,394	167,408	(90,499)	(25,248)
	<hr/>	<hr/>	<hr/>	<hr/>

	2QFY2015 <i>HKD'000</i>	2QFY2014 <i>HKD'000</i>	1HFY2015 <i>HKD'000</i>	1HFY2014 <i>HKD'000</i>
Cash flow from investing activities				
Purchase of property, plant and equipment	(3,379)	–	(4,913)	(1,714)
Proceeds from disposal of property, plant and equipment	–	461	–	47
Proceeds from loan receivables	–	49,860	–	49,860
Interest received	1,037	306	1,458	906
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash (used in)/generated from investing activities	(2,342)	50,627	(3,455)	49,099
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash flow from financing activities				
Proceeds from exercise of warrants	180	–	180	–
Proceeds from issue of shares	659,031	–	659,031	–
Proceeds from bank borrowings	443,617	30,760	576,177	110,225
Repayment of bank borrowings	(366,303)	(74,397)	(604,353)	(124,661)
Decrease/(increase) in pledged bank deposits	82,400	(53,086)	114,035	(10,641)
(Decrease)/increase in amounts due to ultimate holding company	(88,941)	227,857	(116,741)	177,266
Increase/(decrease) in amounts due to immediate holding company	2,177	(219,539)	2,177	(200,464)
Increase in amounts due to fellow subsidiaries	771	6,657	3,562	134,465
Interest paid	(33,320)	(19,386)	(70,444)	(34,738)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash generated from/(used in) financing activities	699,612	(101,134)	563,624	51,452
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net increase in cash and cash equivalents	784,664	116,901	469,670	75,303
Cash and cash equivalents at the beginning of the period	186,022	199,534	499,331	246,945
Effect of exchange rate changes on cash and cash equivalents	(824)	(422)	861	(6,235)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash and cash equivalents at the end of the period	969,862	316,013	969,862	316,013
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issued and distributions to shareholders, together with a comparative statement for the corresponding period of the immediate preceding financial year

	Share capital <i>HKD'000</i>	Share premium <i>HKD'000</i>	Foreign currency translation reserve <i>HKD'000</i>	Statutory reserve <i>HKD'000</i>	Other reserve <i>HKD'000</i>	Retained earnings <i>HKD'000</i>	Total <i>HKD'000</i>	Non- controlling interests <i>HKD'000</i>	Total equity <i>HKD'000</i>
Group									
At 1 January 2015	2,549,345	1,914,548	266,571	94,999	(2,181)	1,502,198	6,325,480	225,680	6,551,160
Profit for the period	-	-	-	-	-	100,861	100,861	3,786	104,647
Other comprehensive income	-	-	4,158	-	-	-	4,158	555	4,713
At 31 March 2015	2,549,345	1,914,548	270,729	94,999	(2,181)	1,603,059	6,430,499	230,021	6,660,520
Profit for the period	-	-	-	-	-	110,406	110,406	5,495	115,901
Other comprehensive income	-	-	(1,814)	-	-	-	(1,814)	(282)	(2,096)
Issue of ordinary shares	120,691	538,340	-	-	-	-	659,031	-	659,031
Exercise of warrants	62	670	-	-	-	-	732	-	732
At 30 June 2015	<u>2,670,098</u>	<u>2,453,558</u>	<u>268,915</u>	<u>94,999</u>	<u>(2,181)</u>	<u>1,713,465</u>	<u>7,198,854</u>	<u>235,234</u>	<u>7,434,088</u>
At 1 January 2014	-	-	344,486	71,979	-	1,232,422	1,648,887	342,508	1,991,395
Profit for the period	-	-	-	-	-	67,754	67,754	4,960	72,714
Other comprehensive income	-	-	(63,585)	-	-	-	(63,585)	(7,024)	(70,609)
At 31 March 2014	-	-	280,901	71,979	-	1,300,176	1,653,056	340,444	1,993,500
Profit for the period	-	-	-	-	-	98,245	98,245	7,231	105,476
Other comprehensive income	-	-	(10,322)	-	-	-	(10,322)	(1,395)	(11,717)
Issue of ordinary shares	-	1,210,050	-	-	-	-	1,210,050	-	1,210,050
At 30 June 2014	<u>-</u>	<u>1,210,050</u>	<u>270,579</u>	<u>71,979</u>	<u>-</u>	<u>1,398,421</u>	<u>2,951,029</u>	<u>346,280</u>	<u>3,297,309</u>

Company	Share capital HKD'000	Share premium HKD'000	Foreign currency translation reserve HKD'000	Statutory reserve HKD'000	Other reserve HKD'000	(Accumulated losses)/ retained earnings HKD'000	Total HKD'000	Non-controlling interests HKD'000	Total equity HKD'000
At 1 January 2015	2,549,345	11,584,834	(59,686)	-	64,953	(4,430,317)	9,709,129	-	9,709,129
Loss for the period	-	-	-	-	-	(19,337)	(19,337)	-	(19,337)
Other comprehensive income	-	-	49,162	-	-	-	49,162	-	49,162
At 31 March 2015	2,549,345	11,584,834	(10,524)	-	64,953	(4,449,654)	9,738,954	-	9,738,954
Loss for the period	-	-	-	-	-	(3,133)	(3,133)	-	(3,133)
Other comprehensive income	-	-	(35,844)	-	-	-	(35,844)	-	(35,844)
Issue of ordinary shares	120,691	538,340	-	-	-	-	659,031	-	659,031
Exercise of warrants	62	670	-	-	-	-	732	-	732
At 30 June 2015	<u>2,670,098</u>	<u>12,123,844</u>	<u>(46,368)</u>	<u>-</u>	<u>64,953</u>	<u>(4,452,787)</u>	<u>10,359,740</u>	<u>-</u>	<u>10,359,740</u>
At 1 January 2014	546,069	1,596,160	-	-	7,849	598,775	2,748,853	-	2,748,853
Loss for the period	-	-	-	-	-	(177,534)	(177,534)	-	(177,534)
Exercise of warrants	4,765	37,468	-	-	-	-	42,233	-	42,233
Issue of ordinary shares related to acquisition of a subsidiary	18,218	133,378	-	-	-	-	151,596	-	151,596
Issue of employee share options	-	-	-	-	16,750	-	16,750	-	16,750
At 31 March 2014	569,052	1,767,006	-	-	24,599	421,241	2,781,898	-	2,781,898
Loss for the period	-	-	-	-	-	(54,132)	(54,132)	-	(54,132)
Exercise of warrants	1,391	11,805	-	-	-	-	13,196	-	13,196
Issue of employee share options	-	-	-	-	16,624	-	16,624	-	16,624
At 30 June 2014	<u>570,443</u>	<u>1,778,811</u>	<u>-</u>	<u>-</u>	<u>41,223</u>	<u>367,109</u>	<u>2,757,586</u>	<u>-</u>	<u>2,757,586</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 year reported on and as at the end of the corresponding period of the immediately preceding financial year.

	30 June 2015	31 December 2014
No. of ordinary shares issued ('000)	2,608,014	2,487,261

The Company does not have any outstanding convertibles, preference shares and treasury shares as at 30 June 2015. 263,462 warrants were outstanding as at 31 December 2014 and 201,432 warrants (being that had not been exercised) were expired on 27 April 2015. The increase in the Company's share capital during the period was due to the issue of :

- (1) 120,690,957 shares to International Financial Corporation and Dalvey Asset Holding Ltd;
- (2) 62,030 shares as a result of the exercise of warrants, the proceeds raised will be used as general working capital.

1(d)(iii) The total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding financial year.

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

30 June 2015 ('000): **2,608,014**

31 December 2014 ('000): 2,487,261

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

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

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

Not applicable.

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

The same accounting policies and methods of computations have been applied.

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

There is no change in accounting policies.

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

	2QFY2015	2QFY2014	1HFY2015	1HFY2014
Profit attributable to owners of the Company (<i>HKD'000</i>)	110,406	98,245	211,267	165,999
Weighted average number of ordinary shares in issue (<i>'000</i>)	2,580,144	1,940,269	2,533,959	1,940,269
Basic/Diluted earnings per share (<i>HKD</i>)	0.043	0.051	0.083	0.086

The weighted average number of shares used for the purpose of calculating earnings per share for the period ended 30 June 2014 is calculated based on the number of shares issued pursuant to the Reverse Takeover (“RTO”) completed on 12 December 2014 and the weighted average number of shares of the Company in issue during the period is deemed to be 1,940,269,000.

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 2015	31 December 2014	30 June 2015	31 December 2014
	<i>HKD</i>	<i>HKD</i>	<i>HKD</i>	<i>HKD</i>
Net asset value per ordinary share based on the existing issued share capital as at the respective period	<u>2.85</u>	<u>2.63</u>	<u>3.97</u>	<u>3.90</u>

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 effected 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 1HFY2015, the revenue of the Group increased by 87% to HKD946.14 million compared with the revenue of HKD505.84 million in 1HFY2014. Gross profit of the Group increased from HKD309.14 million to HKD443.23 million from 1HFY2014 to 1HFY2015, representing an increase of 43%. The net profit of the Group increased from HKD178.19 million to HKD220.55 million from 1HFY2014 to 1HFY2015, representing a rise of 24%. This resulted in a net profit attributable to the shareholders of the Company of HKD211.27 million, which increased by 27% over 1HFY2014.

Statement of Comprehensive Income

Revenue

Revenue increased by 93% from HKD263.94 million in 2QFY2014 to HKD509.82 million in 2QFY2015. The increase was mainly attributable to the increase of HKD146.41 million in construction revenue, HKD56.28 million in operation services income and HKD43.19 million in finance income. The increase in revenue from construction of waste water treatment plants was mainly attributable to the expansion and upgrading of several projects during 2QFY2015.

Cost of sales

Cost of sales in 2QFY2015 amounted to HKD284.22 million, while that in 2QFY2014 amounted to HKD88.12 million. This increase was mainly attributable to the expansion and upgrading of several projects, which resulted in the increase of construction cost. The increase in cost of operation services was in line with the increase in revenue from operation services.

Gross profit margin

Overall gross profit margin for 2QFY2015 decreased to 44% (2QFY2014: 67%), which was mainly due to a larger portion of construction revenue recognized in the mix of the total revenue of 2QFY2015 as compared to 2QFY2014. It approximately made up 39% of the total revenue during this period (2QFY2014: 20%). Construction activities have a lower profit margin as compared to operation activities in general.

Other income

Other income increased by 986% to HKD13.07 million in 2QFY2015 as compared with HKD1.20 million in 2QFY2014. The increase of other income was mainly due to increase in government grant of HKD4.89 million, net foreign exchange gain of HKD5.67 million and other sundry income of HKD2.51 million.

Administrative expenses

Administrative expenses for 2QFY2015 were HKD45.25 million, while that for 2QFY2014 were HKD11.09 million. The increase was mainly due to the inclusion of HKD22.43 million of administrative expenses of HanKore Group after the RTO. Administrative expenses were mainly comprised of staff costs, rental expenses, legal and professional fees and other integration costs.

Finance costs

Finance costs for 2QFY2015 mainly consisted of interest on bank and other borrowings of HKD33.32 million (2QFY2014: HKD19.39 million). The increase in finance costs was due to the consolidation of HanKore Group's interest expense on bank borrowings and multicurrency medium term notes ("MTN") of HKD19.90 million after the RTO.

Income tax

Income tax for 2QFY2015 mainly consisted of current PRC income tax of HKD30.61 million (2QFY2014: HKD18.35 million) and deferred tax expense of HKD13.59 million (2QFY2014: HKD22.72 million). The increase in income tax was attributable to the increase of taxable income of the Group as compared with 2QFY2014.

Statement of Financial Position

Assets

The total assets of the Group rose from HKD10.11 billion as at 31 December 2014 to HKD10.92 billion as at 30 June 2015, representing a growth of 8%. The increase in total assets was mainly attributable to the increase of HKD356.81 million in cash and cash equivalents, HKD207.61 million in current and non-current trade and other receivables, HKD253.43 million in financial receivables and HKD19.88 million in inventories and other assets, offset by the decrease of HKD29.26 million in property, plant and equipment and intangible assets.

Cash and cash equivalents increased from HKD681.10 million as at 31 December 2014 to HKD1,037.91 million as at 30 June 2015. The increase was due to the cash inflow from financing activities amounting to HKD563.62 million attributable mainly to the proceeds of share issuance during this period.

Financial receivables (both current and non-current) increased from HKD4.97 billion as at 31 December 2014 to HKD5.22 billion as at 30 June 2015, an increase of HKD250 million. The increase in financial receivables was mainly attributable to the recognition of construction revenue for the Suzhou, Boxing and Nanjing Pukou water plants during this period.

Trade and other receivables (both current and non-current) of the Group increased by HKD207.61 million from HKD2,267.16 million as at 31 December 2014 to HKD2,474.77 million as at 30 June 2015. Trade receivables increased by HKD128.03 million to HKD369.97 million, which was mainly due to the growth of operation services income during this period. Other receivables of HKD2,104.80 million consisted of HKD1,957.54 million for other receivables for TOT projects in operation, and HKD147.26 million for prepayments, deposits and other receivables. Other receivables for TOT increased by HKD37.65 million, while prepayments, deposits and other receivables increased by HKD41.95 million, which was mainly due to the increase in prepayment for construction work amounting to HKD19.42 million and tender deposits amounting to HKD5.00 million.

Liabilities

Total borrowings (both current and non-current) decreased by HKD28.67 million. The movement was mainly due to the proceeds from bank amounting to approximately HKD576.18 million, and net repayment made on the bank borrowings and other loans amounting to HKD604.35 million during this period.

Decrease of HKD74.08 million in current portion of trade and other payables was mainly due to the decrease of HKD110.62 million in related parties payables, offset by the increase of HKD36.54 million in trade and other payables to third-parties. Non-current other payables mainly consisted of the amounts due to related parties of HKD248.80 million.

The Group was in a net current asset position of HKD749.69 million as at 30 June 2015 as compared to a net current asset position of HKD303.16 million as at 31 December 2014. The increase of HKD446.53 million was mainly attributable to the proceeds from issuance of shares during this period amounting to HKD659.03 million.

Equity

The Group's total equity amounted to HKD7.43 billion as at 30 June 2015 (31 December 2014: HKD6.55 billion). The increase was mainly due to the issuance of shares during this period. In April 2015, a total number of 120,690,957 shares have been issued to the equity investors with a gross proceeds of approximately S\$113,449,500, which was/will be utilised for repayment of borrowings and as working capital to fund the growth and expansion of the Group's business.

In addition, the recognition of profit for this period amounting to HKD220.54 million and the foreign exchange differences of HKD2.62 million on translation from RMB to HKD also gave rise to the movement in equity.

Statement of Cash Flow

Cash and cash equivalents increased from HKD681.10 million as at 31 December 2014 to HKD1,037.91 million as at 30 June 2015. Cash and cash equivalents included in the consolidated statement of cash flow comprised of the following:

	30 June 2015 HKD'000	31 December 2014 HKD'000
Cash and cash equivalents per statement of financial position	1,037,911	681,101
Less: Pledged bank deposits	(68,049)	(181,770)
Cash and cash equivalents per statement of cash flow	<u>969,862</u>	<u>499,331</u>

Net cash flow from operating activities

During this quarter, the Group had cash inflows of HKD194.41 million before changes in working capital (2QFY2014: HKD168.01 million). Changes in working capital and payment of income tax caused cash outflows of HKD73.88 million and HKD33.14 million respectively. As a result, the Group recorded a net cash inflow of HKD87.39 million from operating activities. The changes in working capital arose mainly from:

- (1) Increase in financial receivables of HKD163.09 million
- (2) Increase in inventories of HKD7.19 million
- (3) Decrease in trade and other receivables of HKD21.78 million
- (4) Increase in trade and other payables of HKD74.62 million

Net cash flow from investing activities

In 2QFY2015, the Group recorded a net cash outflow of HKD2.34 million from investing activities. The cash outflow was mainly resulted from payment for purchase of property, plant and equipment.

Net cash flow from financing activities

The Group recorded a net cash inflow from financing activities of HKD699.61 million in 2QFY2015. The net cash inflow was caused by:

- (1) Proceeds from issue of shares of HKD659.03 million
- (2) Net decrease in amount due to related parties of HKD85.99 million
- (3) Net proceeds from bank borrowings of HKD77.31 million
- (4) Interest paid of HKD33.32 million
- (5) Decrease in pledged bank deposits of HKD82.40 million
- (6) Proceeds from exercise of warrants of HKD0.18 million

Subsequent events

On 29 July 2015, the Company entered into a loan agreement (the “Loan Agreement”) with International Finance Corporation for the loan facilities of an aggregate of US\$140,000,000 (the “Facilities”) to be made available to the Company, for a term commencing from the date of the Loan Agreement and ending on 15 July 2025. The Facilities will be utilised as capital expenditure working capital of the Company and its subsidiaries to finance the development and expansion of their waste water treatment and environmental protection business in the People’s Republic of China (“PRC”).

- 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 1HFY2015, the new Environmental Protection Law (環境保護法) of the PRC became effective and a series of policies were issued in the PRC to support the waste water treatment industry, such as Opinions on the Implementation of the Third-Party Control of Environmental Pollution (關於推進環境污染第三方治理的意見), the Implementation Opinions on Cooperation between Government and Social Capital on Water Pollution Prevention and Treatment (關於推進水污染防治領域政府和社會資本合作的實施意見) and The Water Pollution Prevention & Control Plan (水污染防治行動計劃) which is also known as the Clean Water Action Plan (水十條). The importance of environmental protection has been raised to a whole new level in the PRC. It is generally expected that investment in the PRC water sector will increase significantly. Furthermore, the PRC government encourages the public-private partnership (PPP) model in the investment and operation of urban infrastructure, including the water sector. This will certainly provide new market opportunities and momentum for the development of the water industry.

Strict law enforcement and increased public concern over the environmental issues will bring along a huge market capacity expansion for the industry. Riding on the favorable trend, the Group will fully utilize its excellent market resources to expand market share in order to achieve its goal to be one of the leading water companies in the PRC within the next three to five years.

On 12 June 2015, Directory of Value-added Tax (“VAT”) Preferential Rate on Comprehensive Utilization of Goods and Services (“Cai Shui No. [2015] 78 Article”) was issued by the State Administration of Taxation of the PRC with effect from 1 July 2015. Pursuant to Cai Shui No. [2015] 78 Article, the tax policy for waste water treatment service and reusable water service was adjusted, which may have certain impact on the Group’s consolidated financial statements in the short term. The management has initiated communication with the local governments and customers, and intends to increase the water tariff to ensure the Group’s good profitability and sustainable development.

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 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.

On 12 December 2014, the Company allotted and issued 1,940,269,305 consideration shares to China Everbright Water Holdings Limited in satisfaction of the consideration for the RTO. No cash has been received from issuance of the consideration shares.

On 21 April 2015, the Company issued 120,690,957 shares to International Finance Corporation and Dalvey Asset Holding Ltd at an issue price of S\$0.94 per share representing gross proceeds of approximately S\$113,449,500, which was/will be mainly utilised for repayment of borrowings and as general working capital.

**CONFIRMATION BY THE BOARD
PURSUANT TO THE RULE 705(5) OF THE LISTING MANUAL**

I, Wang Tianyi, do hereby confirm on behalf of the Board of Directors of China Everbright Water Limited (the “Company”), that to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial results for the second quarter and half year ended 30 June 2015 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Wang Tianyi

Executive Director, Vice-Chairman and Chief Executive Officer

31 July 2015

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