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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 74.62% owned subsidiary of the Company, announced the unaudited consolidated results of CEWL and its subsidiaries for the financial year ended 31 December 2015 on the website of www.sgx.com of SGX on 19 February 2016.

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, 19 February 2016

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
FY2015 Annual Results
PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS

The board of directors of China Everbright Water Limited (the “Company”) announces the unaudited results of the Company and its subsidiaries (collectively, the “Group”) for the financial year ended 31 December 2015 (“FY2015”).

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

| | Group | | Increase/ -decrease % |
|--|--------------------------|--------------------------|-----------------------------|
| | FY2015 <i>HKD'000</i> | FY2014 <i>HKD'000</i> | |
| Revenue | 1,815,150 | 1,050,755 | 73% |
| Cost of sales | <u>(990,926)</u> | <u>(454,284)</u> | 118% |
| Gross profit | 824,224 | 596,471 | 38% |
| Other income | 103,651 | 13,308 | 679% |
| Administrative expenses | (203,651) | (77,639) | 162% |
| Other operating expenses | (9,895) | (9,115) | 9% |
| Operating profit | 714,329 | 523,025 | 37% |
| Finance income | 9,799 | 2,022 | 385% |
| Finance costs | (127,998) | (92,232) | 39% |
| Profit before tax | 596,130 | 432,815 | 38% |
| Income tax | (172,462) | (118,817) | 45% |
| Net profit for the financial year | 423,668 | 313,998 | 35% |
| Other comprehensive income: | | | |
| – Foreign currency translation differences | (337,571) | (104,205) | 224% |
| Total comprehensive income for the financial year | 86,097 | 209,793 | -59% |

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

| | Group | | |
|--|-----------------------|----------------|------------------------|
| | FY2015 | FY2014 | Increase/ -decrease |
| | HKD'000 | HKD'000 | % |
| Net profit attributable to: | | | |
| Owners of the Company | 406,242 | 292,796 | 39% |
| Non-controlling interests | 17,426 | 21,202 | -18% |
| | <u>423,668</u> | <u>313,998</u> | 35% |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | 75,700 | 194,909 | -61% |
| Non-controlling interests | 10,397 | 14,884 | -30% |
| | <u>86,097</u> | <u>209,793</u> | -59% |

Profit from operating activities is derived after (charging)/crediting the following items:

| | Group | | |
|--|------------------|----------|------------------------|
| | FY2015 | FY2014 | Increase/ -decrease |
| | HKD'000 | HKD'000 | % |
| Depreciation | (13,826) | (13,748) | 1% |
| Amortisation of intangible assets | (58,001) | (10,490) | 453% |
| Government grant | 31,868 | 3,747 | 750% |
| Interest expenses on: | | | |
| related party bank borrowings | (3,984) | (7,073) | -44% |
| other bank borrowings and notes payable | (110,906) | (65,122) | 70% |
| amounts due to group companies | (13,108) | (20,037) | -35% |

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 December 2015 HKD'000 | 31 December 2014 HKD'000 | 31 December 2015 HKD'000 | 31 December 2014 HKD'000 |
| Current Assets | | | | |
| Inventories | 10,689 | 28,912 | – | – |
| Trade and other receivables | 641,525 | 331,173 | 1,672,655 | 48,232 |
| Service concession financial receivables | 893,423 | 667,333 | – | – |
| Cash and cash equivalents | 1,768,990 | 681,101 | 7,248 | 103,109 |
| | <u>3,314,627</u> | <u>1,708,519</u> | <u>1,679,903</u> | <u>151,341</u> |
| Non-current Assets | | | | |
| Property, plant and equipment | 162,587 | 173,559 | 3 | 10 |
| Intangible assets | 1,440,075 | 950,594 | – | – |
| Goodwill | 1,268,925 | 1,043,545 | – | – |
| Investment in subsidiaries | – | – | 9,533,310 | 9,931,051 |
| Other receivables | 39,525 | 16,096 | 21,120 | – |
| Service concession financial receivables | 7,713,209 | 6,219,236 | – | – |
| | <u>10,624,321</u> | <u>8,403,030</u> | <u>9,554,433</u> | <u>9,931,061</u> |
| Current Liabilities | | | | |
| Borrowings | 2,394,574 | 762,718 | 1,000,073 | 281,248 |
| Trade and other payables | 475,430 | 599,843 | 25,450 | 68,795 |
| Other financial liabilities | – | 23,230 | – | 23,230 |
| Current tax liabilities | 52,278 | 19,566 | – | – |
| | <u>2,922,282</u> | <u>1,405,357</u> | <u>1,025,523</u> | <u>373,273</u> |

| | Group | | Company | |
|---|---|--------------------------------|---|--------------------------------|
| | 31 December 2015 HKD'000 | 31 December 2014 HKD'000 | 31 December 2015 HKD'000 | 31 December 2014 HKD'000 |
| Net Current Assets/(Liabilities) | 392,345 | 303,162 | 654,380 | (221,932) |
| Non-current Liabilities | | | | |
| Borrowings | 2,423,663 | 1,061,730 | 193,813 | – |
| Deferred tax liabilities | 1,055,223 | 828,977 | – | – |
| Other payables | 240,760 | 264,325 | – | – |
| | 3,719,646 | 2,155,032 | 193,813 | – |
| Net Assets | 7,297,020 | 6,551,160 | 10,015,000 | 9,709,129 |
| Equity | | | | |
| Share capital | 2,670,098 | 2,549,345 | 2,670,098 | 2,549,345 |
| Reserves | 4,390,845 | 3,776,135 | 7,344,902 | 7,159,784 |
| Equity attributable to owners of the Company | 7,060,943 | 6,325,480 | 10,015,000 | 9,709,129 |
| Non-controlling interests | 236,077 | 225,680 | – | – |
| | 7,297,020 | 6,551,160 | 10,015,000 | 9,709,129 |

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

(i) *Amount repayable in one year or less, or on demand*

| As at 31 December 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> |
| 1,169,865 | 1,224,709 | 365,858 | 388,164 |

(ii) *Amount payable after one year*

| As at 31 December 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> |
| 1,069,413 | 1,354,250 | 674,017 | 396,409 |

Details of Collateral

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

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

| | FY2015 <i>HKD'000</i> | FY2014 <i>HKD'000</i> |
|---|---------------------------------|--------------------------|
| Cash flow from operating activities | | |
| Profit before tax | 596,130 | 432,815 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 13,826 | 13,748 |
| Amortisation of intangible assets | 58,001 | 10,490 |
| Loss on disposal of property, plant and equipment | 510 | – |
| Fair value loss on cross-currency swap | 9,555 | 5,014 |
| Effect of foreign exchange rates changes | (33,662) | 2,856 |
| Net finance costs | 118,199 | 90,210 |
| | <hr/> | <hr/> |
| Operating cash flow before working capital changes | 762,559 | 555,133 |
| Changes in working capital: | | |
| Service concession financial receivables | (481,781) | 84,211 |
| Trade and other receivables | (131,371) | 104,367 |
| Trade and other payables | (38,892) | (346,120) |
| Inventories | 17,065 | (15,726) |
| | <hr/> | <hr/> |
| Cash generated from operations | 127,580 | 381,865 |
| Income tax paid | (94,975) | (65,261) |
| | <hr/> | <hr/> |
| Net cash generated from operating activities | 32,605 | 316,604 |
| | <hr/> | <hr/> |
| Cash flow from investing activities | | |
| Payment made for the acquisition of subsidiaries, net of cash acquired | (2,163,337) | 430,598 |
| Purchase of property, plant and equipment | (10,227) | (3,432) |
| Interest received | 9,799 | 2,022 |
| Payment for additions of intangible assets | (14,020) | – |
| Proceeds from sales of property, plant and equipment | 314 | – |
| Acquisition of associates, net of cash acquired | – | 937 |
| | <hr/> | <hr/> |
| Net cash (used in)/generated from investing activities | (2,177,471) | 430,125 |
| | <hr/> | <hr/> |

| | FY2015 <i>HKD'000</i> | FY2014 <i>HKD'000</i> |
|---|---------------------------------|--------------------------|
| Cash flow from financing activities | | |
| Acquisition of additional interest in a subsidiary | – | (113,637) |
| Proceeds from bank borrowings | 4,218,794 | 117,865 |
| Repayment of bank borrowings | (1,310,224) | (266,619) |
| Proceeds from issue of shares | 659,031 | – |
| Increase in restricted bank deposits | (305,950) | (139,422) |
| Interest paid | (127,998) | (92,232) |
| Settlement of cross-currency swap | (30,644) | – |
| Decrease in amount due to intermediate holding companies | (148,481) | (2,230) |
| (Decrease)/increase in amount due to a fellow subsidiary | (1,177) | 8,294 |
| Proceeds from exercise of warrants | 732 | – |
| | <hr/> | <hr/> |
| Net cash generated from/(used in) financing activities | 2,954,083 | (487,981) |
| | <hr/> | <hr/> |
| Net increase in cash and cash equivalents | 809,217 | 258,748 |
| Cash and cash equivalents at the beginning of the year | 499,331 | 246,945 |
| Effect of exchange rate changes on cash and cash equivalents | (19,998) | (6,362) |
| | <hr/> | <hr/> |
| Cash and cash equivalents at the end of the year | 1,288,550 | 499,331 |
| | <hr/> | <hr/> |

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 financial year

| | Share capital | Share premium | Foreign currency translation reserve | Statutory reserve | Contributed surplus reserve | Other reserves | Retained earnings | Total | Non-controlling interests | Total equity |
|---|------------------|------------------|--------------------------------------|-------------------|-----------------------------|----------------|-------------------|------------------|---------------------------|------------------|
| | HKD'000 | HKD'000 | HKD'000 | HKD'000 | HKD'000 | HKD'000 | HKD'000 | HKD'000 | HKD'000 | HKD'000 |
| Group | | | | | | | | | | |
| At 1 January 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 year | - | - | - | - | - | - | 406,242 | 406,242 | 17,426 | 423,668 |
| Foreign currency translation differences | - | - | (330,542) | - | - | - | - | (330,542) | (7,029) | (337,571) |
| Transfer to statutory reserve | - | - | - | 26,318 | - | - | (26,318) | - | - | - |
| Issue of ordinary shares | 120,691 | 538,340 | - | - | - | - | - | 659,031 | - | 659,031 |
| Exercise of warrants | 62 | 670 | - | - | - | - | - | 732 | - | 732 |
| Share premium reduction | - | (1,243,508) | - | - | 1,243,508 | - | - | - | - | - |
| At 31 December 2015 | <u>2,670,098</u> | <u>1,210,050</u> | <u>(63,971)</u> | <u>121,317</u> | <u>1,243,508</u> | <u>(2,181)</u> | <u>1,882,122</u> | <u>7,060,943</u> | <u>236,077</u> | <u>7,297,020</u> |
| At 1 January 2014 | -* | - | 344,486 | 71,979 | - | - | 1,232,422 | 1,648,887 | 342,508 | 1,991,395 |
| Profit for the year | - | - | - | - | - | - | 292,796 | 292,796 | 21,202 | 313,998 |
| Foreign currency translation differences | - | - | (97,887) | - | - | - | - | (97,887) | (6,318) | (104,205) |
| Transfer to statutory reserve | - | - | - | 23,020 | - | - | (23,020) | - | - | - |
| Increase in ordinary shares relating to acquisition of additional interests in a subsidiary | - | - | 19,972 | - | - | (2,181) | - | 17,791 | (131,428) | (113,637) |
| Capitalisation of shareholder's loan to equity | - | 1,210,050 | - | - | - | - | - | 1,210,050 | - | 1,210,050 |
| Issue of ordinary shares relating to acquisition of subsidiaries | 609,076 | 704,498 | - | - | - | - | - | 1,313,574 | (284) | 1,313,290 |
| Increase in share capital relating to reverse takeover | 1,940,269 | - | - | - | - | - | - | 1,940,269 | - | 1,940,269 |
| At 31 December 2014 | <u>2,549,345</u> | <u>1,914,548</u> | <u>266,571</u> | <u>94,999</u> | <u>-</u> | <u>(2,181)</u> | <u>1,502,198</u> | <u>6,325,480</u> | <u>225,680</u> | <u>6,551,160</u> |

* The balance represents amount less than HKD1,000.

| Company | Share | Share | Foreign | Statutory | Contributed | Other | (Accumulated | Total |
|--|------------------|-------------------|------------------|-----------|------------------|---------------|--------------------|-------------------|
| | capital | premium | currency | reserve | surplus | reserves | losses)/ | |
| | HKD'000 | HKD'000 | translation | reserve | reserve | reserves | retained | equity |
| | HKD'000 | HKD'000 | reserve | HKD'000 | HKD'000 | HKD'000 | earnings | HKD'000 |
| At 1 January 2015 | 2,549,345 | 11,584,834 | (59,686) | - | - | 64,953 | (4,430,317) | 9,709,129 |
| Profit for the year | - | - | - | - | - | - | 73,301 | 73,301 |
| Foreign currency translation differences | - | - | (427,193) | - | - | - | - | (427,193) |
| Issue of ordinary shares | 120,691 | 538,340 | - | - | - | - | - | 659,031 |
| Exercise of warrants | 62 | 670 | - | - | - | - | - | 732 |
| Share premium reduction | - | (12,123,844) | - | - | 7,653,288 | - | 4,470,556 | - |
| At 31 December 2015 | <u>2,670,098</u> | <u>-</u> | <u>(486,879)</u> | <u>-</u> | <u>7,653,288</u> | <u>64,953</u> | <u>113,540</u> | <u>10,015,000</u> |
| At 1 January 2014 | 546,069 | 1,596,160 | - | - | - | 7,849 | 598,775 | 2,748,853 |
| Loss for the year | - | - | - | - | - | - | (5,029,092) | (5,029,092) |
| Foreign currency translation differences | - | - | (59,686) | - | - | - | - | (59,686) |
| Issue of ordinary shares related to | | | | | | | | |
| acquisition of a subsidiary | 18,218 | 133,379 | - | - | - | - | - | 151,597 |
| Exercise of warrants | 6,156 | 49,273 | - | - | - | - | - | 55,429 |
| Share-based payment transaction | - | - | - | - | - | 57,104 | - | 57,104 |
| Increase in share capital relating to | | | | | | | | |
| reverse takeover | 1,940,269 | 9,705,001 | - | - | - | - | - | 11,645,270 |
| Issue of employee share options | 38,633 | 101,021 | - | - | - | - | - | 139,654 |
| At 31 December 2014 | <u>2,549,345</u> | <u>11,584,834</u> | <u>(59,686)</u> | <u>-</u> | <u>-</u> | <u>64,953</u> | <u>(4,430,317)</u> | <u>9,709,129</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.

| | No. of ordinary shares issued ('000) |
|--------------------------|---|
| At 31 December 2014 | 2,487,261 |
| Issuance during the year | <u>120,753</u> |
| At 31 December 2015 | <u>2,608,014</u> |

The Company does not have any outstanding convertibles, preference shares and treasury shares as at 31 December 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 year was due to the issue of:

- (1) 120,690,957 shares to International Financial Corporation and Dalvey Asset Holding Ltd; and
- (2) 62,030 shares as a result of the exercise of warrants.

The proceeds raised was utilised for repayment of borrowings and as general working capital.

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

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

| | 31 December 2015 | 31 December 2014 |
|--|-----------------------------|---------------------|
| Total number of issued shares excluding treasury shares ('000) | <u>2,608,014</u> | <u>2,487,261</u> |

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

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

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

Not applicable.

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

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

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 and the Company have reviewed the application of the new/revised International Financial Reporting Standards ("IFRS") and Interpretations of IFRS that are effective for the financial year beginning on 1 January 2015. Those new/revised IFRS and Interpretations of IFRS did not result in any significant impact on the financial statement.

6. **Earnings per share of the group for the current financial year reported on and the corresponding year of the immediately preceding financial year, after deducting any provision for preference dividends.**

| | | |
|---|--------------------|--------------------|
| Basic/diluted earnings per share | FY2015 | FY2014 |
| Profit attributable to owners of the Company (<i>HKD'000</i>) | 406,242 | 292,796 |
| Weighted average number of ordinary shares in issue (<i>million</i>) | 2,571 | 1,969 |
| Basic/diluted earnings per share (<i>HKD</i>) | <u>0.16</u> | <u>0.15</u> |

The weighted average number of shares used for the purpose of calculating earnings per share for the year ended 31 December 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 FY2014 was deemed to be 1,969 million.

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 year reported on; and (b) immediately preceding financial year.**

| | Group | | Company | |
|--|--|--|--|--|
| | 31 December 2015 <i>HKD</i> | 31 December 2014 <i>HKD</i> | 31 December 2015 <i>HKD</i> | 31 December 2014 <i>HKD</i> |
| Net asset value per ordinary share based on the existing issued share capital as at the respective year | <u>2.71</u> | <u>2.54</u> | <u>3.84</u> | <u>3.90</u> |

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

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 year 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 year reported on.**

Overview

As stated in the announcement issued by the Company on 29 August 2015 (the “Initial Announcement”), the Group had entered into an equity transfer agreement with Dongda Group Co., Ltd. (“Dongda Group”) and Liu Yubao to acquire the entire equity interest in Dalian Dongda Water Co., Ltd. (“Dalian Dongda”). On 4 November 2015, the Company announced that it had successfully acquired the Initial Interest (as defined in the Initial Announcement) in Dalian Dongda, which therefore became a subsidiary of the Group since then.

The Company is primarily involved in the water treatment business with a daily contracted water treatment capacity of approximately 4,600,000 m³. As of 31 December 2015, the Company owned and operated 53 waste water treatment projects (with a daily designed capacity of approximately 3,480,000 m³), 4 reusable water projects (with a daily designed capacity of approximately 61,600 m³), 2 waste water source heat pump projects with service area covering approximately 312,000 m², 59km pipeline network and 10 pump stations, and completed 2 Build-Transfer waste water treatment projects (with a daily designed capacity of approximately 110,000 m³).

Following the completion of the acquisition of Initial Interest in Dalian Dongda, the consolidated statement of financial position of the Group reflects assets and liabilities of the enlarged Group (being CEWIL¹, HanKore Group² and Dalian Dongda together) as at 31 December 2015 while the consolidated statements of comprehensive income and cash flow statement of the Group reflect the earnings of CEWIL and HanKore Group for the full year ended 31 December 2015 and the results of Dalian Dongda for the period from 4 November 2015 to 31 December 2015. The comparative consolidated statements of comprehensive income and cash flow statement of the Group reflect those of CEWIL for the full year ended 31 December 2014 and the results of HanKore Group for the period from 12 December 2014 to 31 December 2014.

For FY2015, the Group reached profit attributable to owners of the Company of HKD406.24 million, an increase from HKD292.80 million for FY2014. Gross profit of the Group increased from HKD596.47 million in FY2014 to HKD824.22 million in FY2015, representing an increase of 38%. Basic/diluted earnings per share increased by 6% to HKD0.16 in FY2015.

1 Unless otherwise specified, “CEWIL” herein means China Everbright Water Investments Limited and its subsidiaries.

2 Unless otherwise specified, “HanKore Group” herein means the Company and its subsidiaries but excluding CEWIL, CEWIL’s subsidiaries, Dalian Dongda and Dalian Dongda’s subsidiaries.

Statement of Comprehensive Income

Revenue

Revenue increased by 73% from HKD1.05 billion in FY2014 to HKD1.82 billion in FY2015. The increase was mainly attributable to the increase of HKD479.81 million in construction revenue, HKD127.40 million in operation services income and HKD157.18 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 Build-Operate-Transfer (“BOT”) projects which were completed or under construction during FY2015. The increase in operation services income and finance income was mainly due to the full year effect of HanKore Group after the RTO, representing a total operation services and finance income of HKD295.83 million in FY2015.

Cost of sales

Cost of sales increased by 118% from HKD454.28 million in FY2014 to HKD990.93 million in FY2015. The increase in operation cost was mainly due to the full year effect of HanKore Group, which resulted in an increase in the volume of waste water treated. The increase in construction costs was in line with the increase of construction revenue.

Gross profit margin

Overall gross profit margin in FY2015 decreased to 45% (FY2014: 57%), which was mainly due to a larger portion of construction revenue recognised in the mix of the total revenue of FY2015 as compared to FY2014. Construction revenue comprised approximately 33% of total revenue in FY2015 (FY2014: 11%). Construction activities have lower profit margin as compared to operation activities in general.

Other income

Other income increased by 679% to HKD103.65 million in FY2015 as compared with HKD13.31 million in FY2014. Other income consisted of value-added tax refund, government grant and other sundry income. The increase of other income was mainly due to increase in value-added tax refund of HKD60.30 million and receipt of government grant of HKD31.87 million during FY2015.

Administrative expenses

Administrative expenses increased by 162% from HKD77.64 million in FY2014 to HKD203.65 million in FY2015. The increase was mainly due to the full year effect of HanKore Group after the RTO. Administrative expenses mainly consisted of staff costs, rental expenses and legal and professional fees.

Other operating expenses

Other operating expenses amounted to HKD9.90 million in FY2015, which mainly consisted of fair value loss on cross-currency swap.

Finance costs

Finance costs increased by HKD35.77 million from HKD92.23 million in FY2014 to HKD128.00 million in FY2015. The increase was mainly due to the inclusion of finance costs of HanKore Group amounting to HKD70.16 million after the RTO. The increase in finance costs was partly mitigated by refinancing from high interest rate loans to low interest rate loans.

Income tax

Income tax expense in FY2015 mainly consisted of current PRC income tax of HKD101.59 million (FY2014: HKD66.74 million) and deferred tax expense of HKD70.87 million (FY2014: HKD52.08 million). The increase in income tax was attributable to increase of taxable income of the Group as compared with FY2014. The effective tax rate increased from 27.5% in FY2014 to 28.9% in FY2015, as certain tax exemptions of the Company's PRC subsidiaries expired in FY2015.

Other comprehensive income

As the functional currency of the Company's subsidiaries is mainly Renminbi ("RMB"), a loss of approximately HKD337.57 million arose from the translation of financial statements of the subsidiaries into the presentation currency, Hong Kong dollar ("HKD"). Such foreign currency translation loss was mainly due to depreciation of RMB against HKD during FY2015.

Statement of Financial Position

Assets

The total assets of the Group increased from HKD10.11 billion as at 31 December 2014 to HKD13.94 billion as at 31 December 2015, representing a growth of 38%. The increase in total assets was mainly attributable to the placement of shares to institutional investors and the acquisition of Dalian Dongda during FY2015.

The Group has engaged an independent professional valuer to conduct a Purchase Price Allocation (“PPA”) on fair value of the assets and liabilities of Dalian Dongda as at the completion date of the acquisition of Initial Interest. Based on the results from the PPA, goodwill amounting to HKD271.82 million has been recognised.

Cash and cash equivalents increased from HKD681.10 million as at 31 December 2014 to HKD1.77 billion as at 31 December 2015. The increase was mainly due to the cash inflow amounting to HKD2.95 billion from financing activities (i.e. share issuance and bank borrowings) during FY2015. The cash inflow was partly offset by the cash outflow arising from the acquisition of Dalian Dongda amounting to HKD2.16 billion.

Service concession financial receivables (including both current and non-current) increased from HKD6.89 billion as at 31 December 2014 to HKD8.61 billion as at 31 December 2015, an increase of HKD1.72 billion. The increase in service concession financial receivables was mainly attributable to the consolidation of service concession financial receivables of Dalian Dongda.

Trade and other receivables (including both current and non-current) of the Group increased by HKD333.78 million from HKD347.27 million as at 31 December 2014 to HKD681.05 million as at 31 December 2015. Trade receivables increased by HKD222.50 million to HKD464.44 million as at 31 December 2015, which was mainly due to the growth of operation services income and acquisition of Dalian Dongda during this year. Other receivables increased by HKD111.28 million during FY2015, which was mainly due to the increase in prepayments for construction work, value-added tax refund and tender deposits.

Liabilities

Total borrowings (including both current and non-current) increased by HKD2.99 billion. The movement was mainly due to the increase in bank borrowings amounting to approximately HKD4.22 billion and inclusion of Dalian Dongda's bank borrowings amounting to HKD161 million, offset by repayment made for bank borrowings and other loans amounting to HKD1.31 billion in FY2015.

Decrease of HKD124.41 million in current portion of trade and other payables was mainly due to the decrease of HKD158.23 million in related parties payables, offset by the increase of HKD33.82 million in trade and other payables to third parties. Non-current other payables as of 31 December 2015 mainly consisted of the amounts due to related parties amounting to HKD240.76 million.

The Group was in a net current asset position of HKD392.35 million as at 31 December 2015, an increase of HKD89.18 million from HKD303.16 million as at 31 December 2014.

Equity

The Group's total equity amounted to HKD7.30 billion as at 31 December 2015 (31 December 2014: HKD6.55 billion). The increase was mainly due to the issuance of shares during this year. In April 2015, a total number of 120,690,957 shares was issued to the equity investors with a gross proceeds of approximately SGD113,449,500, which was utilised for repayment of borrowings and as general working capital to fund the growth and expansion of the Group's business.

The increase in equity was also attributed to net profit amounting to HKD423.67 million recognised in FY2015, offset by foreign currency translation loss of HKD337.57 million arising from the depreciation of RMB against HKD recognised in FY2015.

Cash Flow Statement

Cash and cash equivalents increased from HKD681.10 million as at 31 December 2014 to HKD1,768.99 million as at 31 December 2015. Cash and cash equivalents included in the consolidated statement of cash flow comprised of the following:

| | FY2015 HKD'000 | FY2014 <i>HKD'000</i> |
|---|---------------------------------|--------------------------|
| Cash and cash equivalents per statement of financial position | 1,768,990 | 681,101 |
| Less: Restricted bank deposits | <u>(480,440)</u> | <u>(181,770)</u> |
| Cash and cash equivalents per statement of cash flow | <u>1,288,550</u> | <u>499,331</u> |

Net cash flow from operating activities

The Group had cash inflow of HKD762.56 million before changes in working capital during this financial year. Changes in working capital and payment of income tax resulted in cash outflow of HKD634.98 million and HKD94.98 million respectively. As a result, the Group recorded a net cash inflow of HKD32.61 million from operating activities. The changes in working capital arose mainly from:

- (1) Increase in service concession financial receivables by HKD481.78 million;
- (2) Increase in trade and other receivables by HKD131.37 million;
- (3) Decrease in trade and other payables by HKD38.89 million; and
- (4) Decrease in inventories by HKD17.06 million.

Net cash from investing activities

In FY2015, the Group recorded a net cash outflow of HKD2.18 billion from investing activities. The cash outflow amounting to HKD2.16 billion was resulted from the acquisition of Dalian Dongda. In addition, net payment for property, plant and equipment and intangible assets amounted to HKD23.93 million.

Net cash from financing activities

The Group recorded a net cash inflow from financing activities of HKD2.95 billion in FY2015. The net cash inflow was caused by:

- (1) Net proceeds from bank borrowings of HKD2.91 billion;
- (2) Proceeds from issue of shares of HKD659.03 million;
- (3) Increase in restricted bank deposits of HKD305.95 million;
- (4) Net decrease in amount due to related parties of HKD149.66 million;
- (5) Interest paid of HKD128.00 million;
- (6) Settlement of cross-currency swap of HKD30.64 million; and
- (7) Proceeds from exercise of warrants of HKD0.73 million.

Subsequent events

As stated in the announcement issued by the Company on 15 December 2015, the Company has obtained the share buy-back mandate from the shareholders. On 14 January 2016, 15 January 2016 and 18 January 2016, the Company bought back an aggregate of 7,793,400 shares in its issued and paid up capital for a total consideration of approximately SGD3.84 million pursuant to share buy-back mandate.

- 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.**

2015 is the final year of the PRC's 12th Five-Year Plan. Notwithstanding the tense competition and policy changes in the industry in this year, the Group is committed to the overall idea of "Development, reform and innovation" and implemented a series of improvement measures, such as refining corporate governance, improving risk management, enhancing technology strengths and improving internal integration. In this year, the Group achieved outstanding performance in market expansion, internal control and fund raising. In 2015, the Group completed the acquisition of Dalian Dongda, which has a total of 17 waste water treatment projects, representing an additional contracted waste water treatment capacity of 1,125,000 m³ per day or an operating treatment capacity of 945,000 m³ per day. The Group also secured the Ju County Waste Water Treatment Project (莒縣污水處理項目), Ji'nan Waste Water Treatment (Plant 1) Expansion Project (濟南污水處理項目(一廠)擴建項目) and Ji'nan Xike Waste Water Treatment Project (Plant 4) Phase II (濟南西客污水處理項目(四廠)二期) in Shandong Province, as well as Beijing Daxing Tiantanghe Waste Water Treatment Upgrading and Expansion Project (北京大興區天堂河污水處理項目提標改造及擴建項目). These four projects in aggregate contribute an additional designed daily waste water treatment capacity of 200,000 m³. Furthermore, the Group won the tender of Nanjing Pukou Reusable Water Project (南京浦口中水項目) ("Nanjing Pukou Project"), with a designed daily reusable water supply capacity of 40,000 m³. Phase I of Nanjing Pukou Project, whose service concession agreement has been executed, has a designed daily reusable water supply capacity of 20,000 m³.

2016 is the first year of the PRC's 13th Five-Year Plan. In the context of the economic "new normal", environmental protection and related industries would experience a huge growth. The central government of the PRC is vigorously advocating the five main principles underpinning the policies for the PRC's future development, namely innovation, coordination, green development, opening-up and sharing. The National People's Congress adopted the revised Environmental Protection Law (《環境保護法》) (the "New Environmental Protection Law") to further enhance the strategic position of environmental protection, and to integrate environmental protection into economic and social development. The State Council of PRC issued the Water Pollution Prevention and Control Plan (《水污染防治行動計劃》) (the "Clean Water Action Plan") with the main objective to improve China's water environment quality. The main objectives and targets in near term include that at least 70% and 75% of the seven key regions' water quality should achieve or exceed the level of Category III by 2020 and 2030, respectively. Specific objectives and measures are also proposed to tackle industrial pollution and urban pollution. Issuance of the Clean Water Action Plan provided a new driver for the development of water environment management industry. Further, 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》) facilitates the full opening up of the water industry to social capital through policies, and it also encourages adoption of Public-Private Partnership ("PPP") model in areas of water pollution prevention and treatment. Market share of the water industry is expected to be continuously released to social capital.

Issuance of a series of environmental policies would bring along development opportunities to the environmental protection industry and would also have significant impact on the development mechanism of the industry. Stringent policies would stimulate the restructuring of the water treatment industry, eliminate weaker participants and make leaders emerge. The industry would develop towards the direction of transformation, upgrading and greening. Through visionary strategic planning, the Group follows the market closely and actively shoulders eco-responsibility. With strong support from China Everbright Group, the Group will enhance its overall competitiveness by taking high-level social responsibility, implementing advanced management philosophy and achieving great operating efficiency. Through both of self-development and acquisition, the Group has full confidence in its healthy and steady future development.

11. Dividend

(a) *Current financial year reported on*

Any dividend recommended for the current financial year reported on? Yes

| | |
|-------------------------|--|
| Name of Dividend | Proposed Final |
| Dividend Type | Cash/Scrip (based on shareholder's election) |
| Dividend Amount | SGD0.0035 per ordinary share |
| Tax Rate | One-Tier Tax Exempt |

China Everbright Water Limited Scrip Dividend Scheme will be applicable to the FY2015 final one-tier tax exempt dividend.

(b) *Corresponding year of the immediately preceding financial year*

Any dividend declared for the immediately preceding financial year? No

(c) *Date payable*

The directors have proposed a final dividend of SGD0.0035 per ordinary share, One-Tier Tax Exempt for FY2015 for approval by shareholders at the forthcoming annual general meeting to be convened in April 2016. Details on payment of cash dividend/crediting of shares will be announced in due course.

(d) *Books closure date*

Details on closure of books will be announced in due course.

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 year, the Group does not have any general mandate from shareholders for Interested Person Transaction.

**PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 and Half Year Results)**

- 14. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer’s most recently audited annual financial statements, with comparative information for the immediately preceding year.**

Not applicable. The Group has only one operating segment.

- 15. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

Not applicable.

- 16. A breakdown of revenue**

| | FY2015 | FY2014 | Increase/ -decrease |
|---------------------------------------|----------------|----------------|------------------------|
| | <i>HKD’000</i> | <i>HKD’000</i> | |
| Revenue reported for first half year | 946,144 | 505,837 | 87% |
| Net profit for first half year | 220,548 | 178,190 | 24% |
| Revenue reported for second half year | 869,006 | 544,918 | 59% |
| Net profit for second half year | 203,120 | 135,808 | 50% |

- 17. A breakdown of the total annual dividend (in dollar value) for the issuers’ latest full year and its previous full year.**

| | FY2015 | FY2014 |
|----------|----------------------|----------------|
| | <i>HKD’000</i> | <i>HKD’000</i> |
| Ordinary | <u>50,275</u> | <u>–</u> |

- 18. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive office or substantial shareholder of the issuer pursuant to Rule 704(13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement:-**

There is no person occupying a managerial position in the Company or its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the Company for the financial years ended 31 December 2015 and 31 December 2014.

- 19. Status on the use of net proceeds raised from share placement and issue of MTN.**

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 SGD0.94 per share representing gross proceeds of approximately SGD113,449,500, which was mainly utilised for repayment of borrowings and as general working capital.

- 20. Confirmation that the issuer has undertakings from all its directors and executive officers under Rule 720(1).**

Pursuant to Rule 720(1) of the SGX Listing Manual, the Company has procured undertakings from all its directors and executive officers.

CONFIRMATION BY THE BOARD

PURSUANT TO THE RULE 705(5) OF THE LISTING MANUAL

I, Wang Tianyi do hereby confirm on behalf of the Board of Directors of China Everbright Water Limited (the "Company"), that to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial results for the financial year ended 31 December 2015 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Wang Tianyi

Executive Director and Chairman

19 February 2016