

CHINA EVERBRIGHT WATER LIMITED

The board of directors of China Everbright Water Limited (the “Company”) announces the unaudited financial results of the Company and its subsidiaries (collectively, the “Group”) for the second quarter and half year ended 30 June 2016 (“2QFY2016” and “1HFY2016” respectively).

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

	Group		Increase/ -decrease %	Group		Increase/ -decrease %
	2QFY2016 HKD'000	2QFY2015 HKD'000		1HFY2016 HKD'000	1HFY2015 HKD'000	
Revenue	668,497	509,818	31%	1,325,737	946,144	40%
Cost of sales	(440,850)	(284,224)	55%	(861,725)	(502,911)	71%
Gross profit	227,647	225,594	1%	464,012	443,233	5%
Other income	27,400	12,032	128%	58,103	20,646	181%
Administrative expenses	(70,397)	(45,245)	56%	(138,542)	(91,019)	52%
Operating profit	184,650	192,381	-4%	383,573	372,860	3%
Finance income	1,056	1,037	2%	2,121	1,458	45%
Finance costs	(51,427)	(33,320)	54%	(97,902)	(70,444)	39%
Profit before tax	134,279	160,098	-16%	287,792	303,874	-5%
Income tax	(52,856)	(44,197)	20%	(100,270)	(83,326)	20%
Net profit for the period	81,423	115,901	-30%	187,522	220,548	-15%
Net profit attributable to:						
Owners of the Company	77,491	110,406	-30%	180,634	211,267	-14%
Non-controlling interests	3,932	5,495	-28%	6,888	9,281	-26%
	81,423	115,901	-30%	187,522	220,548	-15%

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			Group		
	2QFY2016 HKD'000	2QFY2015 HKD'000	Increase/ -decrease %	1HFY2016 HKD'000	1HFY2015 HKD'000	Increase/ -decrease %
Net profit for the period	81,423	115,901	-30%	187,522	220,548	-15%
Other comprehensive income: – Foreign currency translation differences	<u>(117,243)</u>	<u>(2,096)</u>	-5,494%	<u>(116,165)</u>	<u>2,617</u>	-4,539%
Total comprehensive income for the financial period	<u>(35,820)</u>	<u>113,805</u>	-131%	<u>71,357</u>	<u>223,165</u>	-68%
Total comprehensive income attributable to:						
Owners of the Company	<u>(37,052)</u>	108,592	-134%	<u>67,182</u>	213,611	-69%
Non-controlling interests	<u>1,232</u>	<u>5,213</u>	-76%	<u>4,175</u>	<u>9,554</u>	-56%
	<u>(35,820)</u>	<u>113,805</u>	-131%	<u>71,357</u>	<u>223,165</u>	-68%

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

	Group			Group		
	2QFY2016 HKD'000	2QFY2015 HKD'000	Increase/ -decrease %	1HFY2016 HKD'000	1HFY2015 HKD'000	Increase/ -decrease %
Depreciation	2,914	5,271	-45%	6,702	10,020	-33%
Amortisation of intangible assets ¹	19,815	13,526	46%	39,943	26,805	49%
Interest expenses on:						
related party bank borrowings	640	763	-16%	1,345	2,437	-45%
other bank borrowing and notes payable	48,154	29,053	66%	91,242	60,601	51%
amounts due to group companies	2,633	3,504	-25%	5,315	7,406	-28%

1 The increase in amortisation of intangible assets was mainly arising from the acquisition of Dalian Dongda Water Co., Ltd. (“Dalian Dongda”).

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 2016 HKD'000	31 December 2015 HKD'000	30 June 2016 HKD'000	31 December 2015 HKD'000
Current Assets				
Inventories	10,169	10,689	–	–
Trade and other receivables	726,301	641,525	1,805,262	1,672,655
Service concession financial receivables	846,929	893,423	–	–
Cash and cash equivalents	2,445,020	1,768,990	390,257	7,248
	<u>4,028,419</u>	<u>3,314,627</u>	<u>2,195,519</u>	<u>1,679,903</u>
Non-current Assets				
Property, plant and equipment	160,170	162,587	–	3
Intangible assets	1,378,631	1,440,075	–	–
Goodwill	1,251,499	1,268,925	–	–
Investment in subsidiaries	–	–	9,592,120	9,533,310
Other receivables	12,857	39,525	–	21,120
Service concession financial receivables	8,173,396	7,713,209	–	–
	<u>10,976,553</u>	<u>10,624,321</u>	<u>9,592,120</u>	<u>9,554,433</u>
Current Liabilities				
Borrowings	2,570,185	2,394,574	698,220	1,000,073
Trade and other payables	609,385	475,430	540,289	25,450
Current tax liabilities	19,043	52,278	–	–
Dividend payable	14,550	–	–	–
	<u>3,213,163</u>	<u>2,922,282</u>	<u>1,238,509</u>	<u>1,025,523</u>

	Group		Company	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>
Net Current Assets	815,256	392,345	957,010	654,380
Non-current Liabilities				
Borrowings	3,062,334	2,423,663	717,606	193,813
Deferred tax liabilities	1,088,721	1,055,223	–	–
Other payables	238,204	240,760	–	–
	4,389,259	3,719,646	717,606	193,813
Net Assets	7,402,550	7,297,020	9,831,524	10,015,000
Equity				
Share capital	2,672,482	2,670,098	2,672,482	2,670,098
Reserves	4,422,627	4,390,845	7,159,042	7,344,902
Equity attributable to owners of the Company	7,095,109	7,060,943	9,831,524	10,015,000
Non-controlling interests	307,441	236,077	–	–
	7,402,550	7,297,020	9,831,524	10,015,000

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

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

As at 30 June 2016		As at 31 December 2015	
Secured	Unsecured	Secured	Unsecured
<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>
452,206	2,117,979	1,169,865	1,224,709

(ii) *Amount payable after one year*

As at 30 June 2016		As at 31 December 2015	
Secured	Unsecured	Secured	Unsecured
<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>
2,247,770	814,564	1,069,413	1,354,250

Details of Collateral

The secured borrowings of the Group as at 30 June 2016 and 31 December 2015 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 period of the immediately preceding financial year

	2QFY2016 <i>HKD'000</i>	2QFY2015 <i>HKD'000</i>	1HFY2016 <i>HKD'000</i>	1HFY2015 <i>HKD'000</i>
Cash flow from operating activities				
Profit before tax	134,279	160,098	287,792	303,874
Adjustments for:				
Depreciation of property, plant and equipment	2,914	5,271	6,702	10,020
Amortisation of intangible assets	19,815	13,526	39,943	26,805
Fair value gain on cross-currency swap	–	(442)	–	(442)
Effect of foreign exchange rates changes	(8,666)	(16,324)	(6,394)	(12,659)
Net finance costs	50,371	32,283	95,781	68,986
Operating cash flow before working capital changes	198,713	194,412	423,824	396,584
Changes in working capital:				
Service concession financial receivables	(422,767)	(200,741)	(532,784)	(282,515)
Trade and other receivables	121,093	59,438	(67,532)	(166,046)
Trade and other payables	51,314	74,620	155,084	27,844
Inventories	67	(7,193)	372	(18,060)
Cash (used in)/generated from operations	(51,580)	120,536	(21,036)	(42,193)
Income tax paid	(43,424)	(33,142)	(84,685)	(48,306)
Net cash (used in)/generated from operating activities	(95,004)	87,394	(105,721)	(90,499)
Cash flow from investing activities				
Purchase of property, plant and equipment	(4,453)	(3,379)	(6,535)	(4,913)
Interest received	1,056	1,037	2,121	1,458
Net cash used in investing activities	(3,397)	(2,342)	(4,414)	(3,455)

	2QFY2016	2QFY2015	1HFY2016	1HFY2015
	HKD'000	HKD'000	HKD'000	HKD'000
Cash flow from financing activities				
Proceeds from issue of shares	–	659,031	–	659,031
Proceeds from exercise of warrants	–	180	–	180
Payment of share buy-back	–	–	(21,139)	–
Dividends paid to shareholders	(11,877)	–	(11,877)	–
Contribution from a non-controlling shareholder	81,739	–	81,739	–
Proceeds from bank borrowings	1,638,231	443,617	2,677,269	576,177
Repayment of bank borrowings	(826,501)	(366,303)	(1,818,221)	(604,353)
Decrease/(increase) in restricted bank deposits	176,929	82,400	(133,231)	114,035
Increase/(decrease) in amount due to intermediate holding companies	30	(86,764)	775	(114,564)
(Decrease)/increase in amount due to a fellow subsidiary	(1,884)	771	–	3,562
Interest paid	(51,427)	(33,320)	(97,902)	(70,444)
Net cash generated from financing activities	<u>1,005,240</u>	<u>699,612</u>	<u>677,413</u>	<u>563,624</u>
Net increase in cash and cash equivalents	906,839	784,664	567,278	469,670
Cash and cash equivalents at the beginning of the period	948,827	186,022	1,288,550	499,331
Effect of exchange rate changes on cash and cash equivalents	<u>(17,669)</u>	<u>(824)</u>	<u>(17,831)</u>	<u>861</u>
Cash and cash equivalents at end of the period	<u>1,837,997</u>	<u>969,862</u>	<u>1,837,997</u>	<u>969,862</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 immediately 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>	Contributed surplus reserve <i>HKD'000</i>	Other reserves <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 2016	2,670,098	1,210,050	(63,971)	121,317	1,243,508	(2,181)	1,882,122	7,060,943	236,077	7,297,020
Profit for the period	-	-	-	-	-	-	103,143	103,143	2,956	106,099
Foreign currency translation differences	-	-	1,091	-	-	-	-	1,091	(13)	1,078
Share buy-back	(7,793)	-	-	-	(13,346)	-	-	(21,139)	-	(21,139)
At 31 March 2016	2,662,305	1,210,050	(62,880)	121,317	1,230,162	(2,181)	1,985,265	7,144,038	239,020	7,383,058
Profit for the period	-	-	-	-	-	-	77,491	77,491	3,932	81,423
Foreign currency translation differences	-	-	(114,543)	-	-	-	-	(114,543)	(2,700)	(117,243)
Issue of shares pursuant to scrip dividend scheme	10,177	30,250	-	-	-	-	(40,427)	-	-	-
Dividend paid to shareholders	-	-	-	-	-	-	(11,877)	(11,877)	-	(11,877)
Contribution from a non-controlling shareholder	-	-	-	-	-	-	-	-	81,739	81,739
Dividend paid to a non-controlling shareholder	-	-	-	-	-	-	-	-	(14,550)	(14,550)
As at 30 June 2016	<u>2,672,482</u>	<u>1,240,300</u>	<u>(177,423)</u>	<u>121,317</u>	<u>1,230,162</u>	<u>(2,181)</u>	<u>2,010,452</u>	<u>7,095,109</u>	<u>307,441</u>	<u>7,402,550</u>
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
Foreign currency translation differences	-	-	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
Foreign currency translation differences	-	-	(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
As at 30 June 2015	<u>2,670,098</u>	<u>2,453,558</u>	<u>268,915</u>	<u>94,999</u>	<u>-</u>	<u>(2,181)</u>	<u>1,713,465</u>	<u>7,198,854</u>	<u>235,234</u>	<u>7,434,088</u>

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/ (accumulated losses) HKD'000	Total equity HKD'000
At 1 January 2016	2,670,098	-	(486,879)	-	7,653,288	64,953	113,540	10,015,000
Loss for the period	-	-	-	-	-	-	(9,141)	(9,141)
Foreign currency translation differences	-	-	(1,230)	-	-	-	-	(1,230)
Share buy-back	(7,793)	-	-	-	(13,346)	-	-	(21,139)
At 31 March 2016	2,662,305	-	(488,109)	-	7,639,942	64,953	104,399	9,983,490
Loss for the period	-	-	-	-	-	-	(3,245)	(3,245)
Foreign currency translation differences	-	-	(136,844)	-	-	-	-	(136,844)
Issue of shares pursuant to Scrip Dividend Scheme	10,177	30,250	-	-	-	-	(40,427)	-
Dividends paid to shareholders	-	-	-	-	-	-	(11,877)	(11,877)
As at 30 June 2016	<u>2,672,482</u>	<u>30,250</u>	<u>(624,953)</u>	<u>-</u>	<u>7,639,942</u>	<u>64,953</u>	<u>48,850</u>	<u>9,831,524</u>
At 1 January 2015	2,549,345	11,584,834	(59,686)	-	-	64,953	(4,430,317)	9,709,129
Loss for the period	-	-	-	-	-	-	(19,337)	(19,337)
Foreign currency translation differences	-	-	49,162	-	-	-	-	49,162
At 31 March 2015	2,549,345	11,584,834	(10,524)	-	-	64,953	(4,449,654)	9,738,954
Loss for the period	-	-	-	-	-	-	(3,133)	(3,133)
Foreign currency translation differences	-	-	(35,844)	-	-	-	-	(35,844)
Issue of ordinary shares	120,691	538,340	-	-	-	-	-	659,031
Exercise of warrants	62	670	-	-	-	-	-	732
As at 30 June 2015	<u>2,670,098</u>	<u>12,123,844</u>	<u>(46,368)</u>	<u>-</u>	<u>-</u>	<u>64,953</u>	<u>(4,452,787)</u>	<u>10,359,740</u>

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

	No. of ordinary shares issued (’000)
At 31 December 2015	2,608,014
Share buy-back during the period	(7,793)
Share issuance pursuant to scrip dividend scheme	<u>10,177</u>
At 30 June 2016	<u>2,610,398</u>

The Company does not have any outstanding convertibles, preference shares and treasury shares as at 30 June 2016. The increase in the Company’s share capital during the period was due to the share issuance pursuant to scrip dividend scheme of an aggregate of 10,177,139 shares in June 2016, which was partly mitigated by the share buy-back of an aggregate of 7,793,400 shares in January 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

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

	30 June 2016	31 December 2015
Total number of issued shares excluding treasury shares ('000)	<u>2,610,398</u>	<u>2,608,014</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.

There are no changes in the accounting policies or methods of computation.

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	2QFY2016	2QFY2015	1HFY2016	1HFY2015
Profit attributable to owners of the Company (HKD'000)	77,491	110,406	180,634	211,267
Weighted average number of ordinary shares in issue (million)	2,601	2,580	2,601	2,534
Basic/diluted earnings per share (HKD)	<u>0.030</u>	<u>0.043</u>	<u>0.069</u>	<u>0.083</u>

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current financial period reported on; and (b) immediately preceding financial year.

	Group		Company	
	30 June 2016 HKD	31 December 2015 HKD	30 June 2016 HKD	31 December 2015 HKD
Net asset value per ordinary share based on the existing issued share capital as at the respective date	<u>2.72</u>	<u>2.71</u>	<u>3.77</u>	<u>3.84</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 end of the relevant 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

During 2QFY2016, the revenue of the group increased by 31% to HKD668.50 million compared with the revenue of HKD509.82 million in 2QFY2015. Gross profit of the Group increased from HKD225.59 million in 2QFY2015 to HKD227.65 million in 2QFY2016, representing a slight increase of 1%. The net profit of the Group decreased from HKD115.90 million in 2QFY2015 to HKD81.42 million in 2QFY2016, representing a decrease of 30%. The net profit attributable to the shareholders of the Company in 2QFY2016 amounted to HKD77.49 million, which decreased by 30% from 2QFY2015. The decrease was mainly due to the increase in administrative expenses, finance costs and income tax expenses.

Statement of Comprehensive Income

Revenue

Revenue increased by 31% from HKD509.82 million in 2QFY2015 to HKD668.50 million in 2QFY2016. The increase was mainly attributable to the increase in construction revenue from the expansion and upgrading of several Build-Operate-Transfer (“BOT”) projects which were under construction during 2QFY2016.

Cost of sales

Cost of sales increased by 55% from HKD284.22 million in 2QFY2015 to HKD440.85 million in 2QFY2016. The increase was mainly due to the increase of construction services resulting in increase of construction cost. Construction revenue comprised approximately 53% of total revenue in 2QFY2016 (2QFY2015: 39%). The procurement and installation services in the construction services which are performed by the in-house engineering company usually generate additional cost savings for the Group. There was much smaller portion of such services rendered in 2QFY2016 as compared with 2QFY2015 and hence realized less cost savings in 2QFY2016. These factors accounted for the higher increase of percentage of cost of sales as compared to the percentage growth of revenue.

Gross profit margin

Overall gross profit margin in 2QFY2016 decreased to 34% (2QFY2015: 44%), which was mainly due to a larger portion of construction revenue recognised in the mix of the total revenue of 2QFY2016 as compared to 2QFY2015. Construction revenue comprised approximately 53% of total revenue in 2QFY2016 (2QFY2015: 39%). Construction services have lower gross profit margin as compared to operation services in general. Moreover, the changes in value-added tax policy which was implemented with effect from 1 July 2015, had unfavorable impact on gross profit margin. Such unfavorable impact was partly mitigated by the value-added tax refund.

Other income

Other income increased by 128% to HKD27.40 million in 2QFY2016 as compared with HKD12.03 million in 2QFY2015. Other income mainly 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 HKD26.90 million during 2QFY2016.

Administrative expenses

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

Administrative expenses increased by 56% from HKD45.25 million in 2QFY2015 to HKD70.40 million in 2QFY2016. The increase was mainly due to: (i) business expansion of the Group, including expansion and upgrading of several existing projects and acquisition of Dalian Dongda, which resulted in increase of staff costs, marketing expenses and other operating expenses; and (ii) foreign exchange losses of HKD23.30 million mainly arising from those borrowings pegged to USD, as RMB depreciated against USD during the current financial period. The above-mentioned borrowings pegged to USD have already been fully repaid by the end of July 2016.

Finance costs

Finance costs increased by HKD18.11 million from HKD33.32 million in 2QFY2015 to HKD51.43 million in 2QFY2016. The average balance of borrowings increased in 2QFY2016 as compared with 2QFY2015. Thus, the finance costs also increased in 2QFY2016 as compared with 2QFY2015, but to a less extent, as the Group has been replacing higher interest rate borrowings with lower interest rate borrowings so as to reduce the average borrowing costs.

Income tax

Income tax expense in 2QFY2016 mainly consisted of current PRC income tax of HKD19.33 million (2QFY2015: HKD30.61 million) and deferred tax expense of HKD33.53 million (2QFY2015: HKD13.59 million). The increase in deferred tax expense was mainly due to: (i) recognition of construction profits; and (ii) change in calculation of deferred tax as certain expenses were not deductible pursuant to requirements of the local tax bureau.

Statement of Financial Position

Assets

The total assets of the Group increased from HKD13.94 billion as at 31 December 2015 to HKD15.00 billion as at 30 June 2016, representing a growth of 8%. The increase in total assets was mainly attributable to the increase of service concession financial receivables and cash and cash equivalents.

Cash and cash equivalents increase from HKD1.77 billion as at 31 December 2015 to HKD2.45 billion as at 30 June 2016. The increase was mainly due to the net proceeds from bank borrowings during 1HFY2016.

Service concession financial receivables (including both current and non-current) increased from HKD8.61 billion as at 31 December 2015 to HKD9.02 billion as at 30 June 2016, representing an increase of HKD0.41 billion. The increase in service concession financial receivables was mainly attributable to the recognition of construction revenue for several water plants during the current financial period.

Trade and other receivables (including both current and non-current) of the Group increased by HKD58.11 million from HKD681.05 million as at 31 December 2015 to HKD739.16 million as at 30 June 2016. Trade receivables increased by HKD51.11 million to HKD515.55 million as at 30 June 2016 mainly due to the seasonal settlement pattern, as customers normally settled greater portion of trade receivables towards financial year end. Other receivables (including both current and non-current) increased by HKD7.00 million during 1HFY2016 mainly due to the increase in prepayments for construction work, receivables from value-added tax refund and tender deposits.

Liabilities

Total borrowings (including both current and non-current) increased by HKD814.28 million. The movement was mainly due to receipt of the proceeds from bank borrowings amounting to approximately HKD2,677.27 million, offset by repayment made for bank borrowings and other loans amounting to HKD1,818.22 million in 1HFY2016.

The current portion of trade and other payables increased by HKD133.96 million mainly due to the increase of trade and other payable to third parties. Non-current other payables as of 30 June 2016 represented the amounts due to related parties amounting to HKD238.20 million.

Dividend payable represented dividend payable to a non-controlling shareholder of a PRC subsidiary.

The Group was in a net current asset position of HKD815.26 million as at 30 June 2016, a increase of HKD422.91 million from HKD392.35 million as at 31 December 2015.

Equity

The Group's total equity amounted to HKD7.40 billion as at 30 June 2016 (31 December 2015: HKD7.30 billion). The increase was mainly due to the following: (i) net profit amounting to HKD187.52 million recognised in 1HFY2016; (ii) the contribution from a non-controlling shareholder of a PRC subsidiary during the current financial period; and (iii) the foreign currency translation loss of HKD116.17 million arising from the depreciation of RMB against HKD recognised in 1HFY2016 which has been accounted for under other comprehensive income.

Cash Flow Statement

Cash and cash equivalents increased from HKD1,768.99 million as at 31 December 2015 to HKD2,445.02 million as at 30 June 2016. Cash and cash equivalents included in the consolidated statement of cash flow comprised of the following:

	30 June 2016 HKD'000	31 December 2015 HKD'000
Cash and cash equivalents per statement of financial position	2,445,020	1,768,990
Less: Restricted bank deposits	(607,023)	(480,440)
Cash and cash equivalents per statement of cash flow	<u>1,837,997</u>	<u>1,288,550</u>

Net cash flow from operating activities

The Group had cash inflow of HKD198.71 million before changes in working capital during the current financial period (2QFY2015: HKD194.41 million). Changes in working capital and payment of income tax resulted in cash outflow of HKD250.29 million and HKD43.42 million respectively. As a result, the Group recorded a net cash outflow of HKD95.00 million from operating activities. The changes in working capital arose mainly from:

- (1) increase in service concession financial receivables by HKD422.76 million;
- (2) decrease in trade and other receivables by HKD121.09 million;
- (3) increase in trade and other payables by HKD51.31 million; and
- (4) decrease in inventories by HKD0.07 million.

Net cash from investing activities

In 2QFY2016, the Group recorded a net cash outflow of HKD3.40 million from investing activities. The cash outflow was mainly resulted from net payment for property, plant and equipment.

Net cash from financing activities

The Group recorded a net cash inflow from financing activities of HKD1,005.24 million in 2QFY2016. The net cash outflow was caused by:

- (1) net proceeds from bank borrowings of HKD811.73 million;
- (2) cash dividend paid to shareholders of HKD11.88 million;
- (3) decrease in restricted bank deposits of HKD176.93 million;
- (4) net decrease in amount due to related parties of HKD1.85 million;
- (5) interest payment of HKD51.43 million; and
- (6) contribution from a non-controlling shareholder of HKD81.74 million.

Subsequent events

Nil.

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 1HFY2016, with a series of acquisitions and integrations, the Group's operation scale emerged into a new stage. Development coverage and business scope continued to expand. The acquired projects were successfully transformed. In addition, the Group was included into MSCI China Small Cap Index for the first time, reflecting the attention and recognition of capital market over the Group's business development and prospect. During the period, the Group successfully obtained four new projects, which require a total estimated investment of RMB2.05 billion and contribute an additional waste water treatment capacity of 455,000 m³ per day. In particular, obtaining public-private partnership ("PPP") project for construction of "sponge city" of Zhenjiang was a milestone of the Group, representing a solid step in developing a new business area.

2016 is the first year of the 13th Five-Year Plan. The environment problem continues to be the focus. After issuing the "Air Pollution Prevention and Control Plan" (also known as "Clean Air Action Plan") and "Water Pollution Prevention and Control Plan" (also known as "Clean Water Action Plan"), the State Council of China issued "Soil Pollution Prevention and Control Plan" (also known as "Clean Soil Action Plan") in May this year to implement the most rigorous environment protection system and continuously improve environmental quality. On the other hand, the country encouraged reformation of the industry from being government-led to being marketized and the participation of social capital in the environmental governance. The government will adopt PPP model extensively in environmental water sector, such as in waste water treatment, river-basin ecological repair and sponge cities, resulting in significant development of PPP model and broader access to markets for the Group.

In 1HFY2016, despite facing macro trends such as subdued global economic outlook and slowing economic growth in China as well as fierce competitions in the industry, the Group has strong confidence in overcoming challenges to actively expand into new areas and new business segments. The Group will improve internal management and seek for appropriate projects in order to achieve a steady and healthy growth.

11. Dividend

(a) *Current financial period reported on*

Nil.

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

Not applicable.

(c) *Date payable*

Not applicable.

(d) *Books closure date*

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

Not applicable

13. If the group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

During the current 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.

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 (the "Share Placement"). Net proceeds received by the Company from the Share Placement amounted to approximately HKD659,031,000.

As stated in the announcement issued by the Company on 28 April 2016, the proceeds of the Share Placement were fully utilised as working capital purposes to fund the growth and expansion of the Company's business.

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, 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 2016 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Wang Tianyi
Executive Director and Chairman

5 August 2016