光大水务
Everbright Water

2014 Annual Report

Creating A New Synergy

PUSHING BOUNDARIES


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Singapore Exchange

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Contents

Corporate Profile

In December 2014, China Everbright International Limited (HKSE: 00257) successfully spun off and injected its environmental water business into Singapore Mainboard-listed HanKore Environment Tech Group Limited ("HanKore Environment")(SGX: U9E) via a reverse takeover and HanKore Environment was officially renamed as China Everbright Water Limited ("Everbright Water" or the "Company").

Everbright Water and its subsidiaries (collectively the "Group") is principally engaged in the environmental water business, which includes waste water treatment, reusable water, waste water heat pump, sludge treatment, research and development of environmental water technologies, engineering and construction and etc. The Group's geographical footprint spans across North and Central China, including Beijing, Jiangsu, Shandong, Shaanxi and Henan. As of 31 December 2014, the Group has invested in and is operating 32 waste water treatment projects with a designed daily waste water treatment capacity of approximately 3.4 million m^3.

With its experienced management team as well as strong support from China Everbright Group Ltd. and China Everbright International Limited, the Group will seize opportunities in the favourable market condition and strive to emerge as the leading environmental water player in People's Republic of China ("PRC").


EXPANDING
HORIZONS

CEO's Statement

Dear Valued Shareholders,

On behalf of the board of the directors of Everbright Water ("the Board of Directors"), I am pleased to present to you the annual report of Everbright Water for the financial year ended 31 December 2014 ("FY2014").

2014 is a fruitful and challenging year for Everbright Water. In December 2014, China Everbright Water Holdings Limited, a wholly-owned subsidiary of the Group's intermediate holding company, China Everbright International Limited ("Everbright International") has successfully completed the reverse takeover ("RTO") of HanKore Environment, which was renamed to China Everbright Water Limited.

Everbright Water has always been one of the core business sectors of Everbright International. The spin-off of the environmental water business on SGX will enable Everbright Water to expand its asset portfolio and market footprint in China as well as to diversify its project scope. Furthermore, the Singapore listing will provide a competitive international platform for the Group for its future undertakings. In view of Singapore government's support for its water sector, Everbright Water will be able to leverage on state-of-the-art water treatment techniques in Singapore thus to strengthen its core competitiveness in its quest to become China's benchmark in the environmental water industry.

The sustainable development of Everbright Water relies on the continuous support of our shareholders (the "Shareholders") and the investment community. On 20 January 2015, the Group has announced its intention to bring in International Finance Corporation ("IFC") and Dalvey Asset Holdings Ltd ("DAH") as strategic investors via the placement of new shares. IFC is a member of the World Bank Group while DAH is a wholly-owned subsidiary of RRJ Capital Master Fund II, L.P. which was established by RRJ Capital ("RRJ"). The introduction of IFC and RRJ not only strengthen the Group's shareholding structure, the proceeds raised from the placement will strengthen and advance the future development of Everbright Water.

Financial Review

As the RTO of HanKore Environment was completed on 12 December 2014, the Group's financial statements for FY2014 only captured less than a month of HanKore Environment's results. The Group's revenue slipped 19% year-on-year ("yoy") to HKD1,050.8 million for FY2014. This is mainly due to lower recognition of construction services revenue from service concession arrangement for FY2014 as compared to FY2013. Gross profit grew 13% yoy to HKD596.5 million while net profit attributable to shareholders increased 10% yoy to HKD292.8 million for FY2014. The post-acquisition financial effects will be fully reflected in FY2015.

Project Summary

As of 31 December 2014, Everbright Water was principally engaged in the business of waste water treatment, reusable water, waste water heat pump, sludge treatment and etc. Currently, the Group owns and operates a total of 32 waste water treatment plants with a daily designed treatment capacity of 3.4 million m^3, 4 reusable water projects and 2 waste water source heat pump projects. The Group's current geographical footprint spans across North and Central China, including Beijing, Jiangsu, Shandong, Shaanxi and Henan.

During the year under review, 3 projects have started commercial operation, namely Zhangqiu Waste Water Treatment Project, Ling County Waste Water Treatment Project (Plant 1) Upgrading and Xianyang Waste Water Treatment Project Phase II. In addition, the acquisition of all stakes in Qingdao Waste Water Treatment Project ("Qingdao Project") from Veolia Water S.A ("Veolia") has been completed in FY2014. Going forward, Qingdao Project is expected to see higher operating and management efficiency with Everbright Water in charge.

The Group has started the construction of Suzhou Wuzhong Chengnan Waste Water Treatment Project Phase II, Nanjing Pukou Waste Water Treatment Project Phase II and upgrading, Binzhou Boxing Waste Water Treatment Project expansion and upgrading and Zibo Reusable Water Project Phase II in FY2014.

Outlook

In light of the support from the Chinese government to promote the Public–Private–Partnership ("PPP") Model and the upcoming Action Plan on the Prevention of Water Pollution ("水污染防治行动计划"), China's water sector is expected to see trillions worth of investments in the next few years, which will be the golden era of the China water sector. Currently, China's waste-water treatment segment is highly fragmented with the Top Ten players accounting for only 25% of the market share. The push for the privatisation of public-service assets and PPP Model bode well for the Group as approximately half of the municipal waste-water treatment capacities are still being held by local governments. This presents huge market potential for future capacity additions for the Group.

Recently, Chinese Ministry of Finance and the National Development and Reform Commission have unveiled the waste water treatment fee collection method and water tariff pricing and adjustment mechanism. This will facilitate the fee collection of waste water treatment projects and further enhance the revenue of waste water treatment companies.

With Everbright Water's track record and brand recognition, experienced management team and diversified financing options, the Group is in a favourable position to optimize operation efficiency, achieve growth through acquisitions and upgrading and expansion of existing projects underpinned by favourable environmental policies.

Acknowledgement and Appreciation

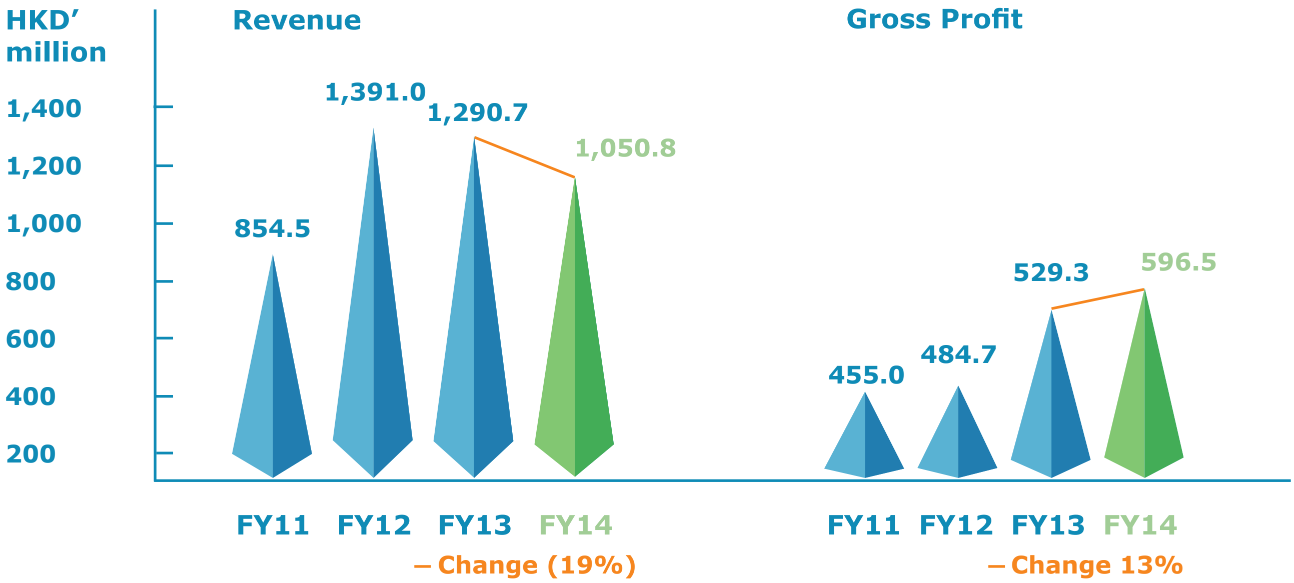
2015 will be a fresh start for Everbright Water as well as a year of integration, the Group will further expedite to consolidate our resources, improve operation efficiency and strive for larger market share.

I would like to extend my utmost appreciation to China Everbright Group Ltd. and Everbright International for the unwavering support. I would also like to thank our shareholders for the vote of confidence and our management and staff for the dedication and commitment.

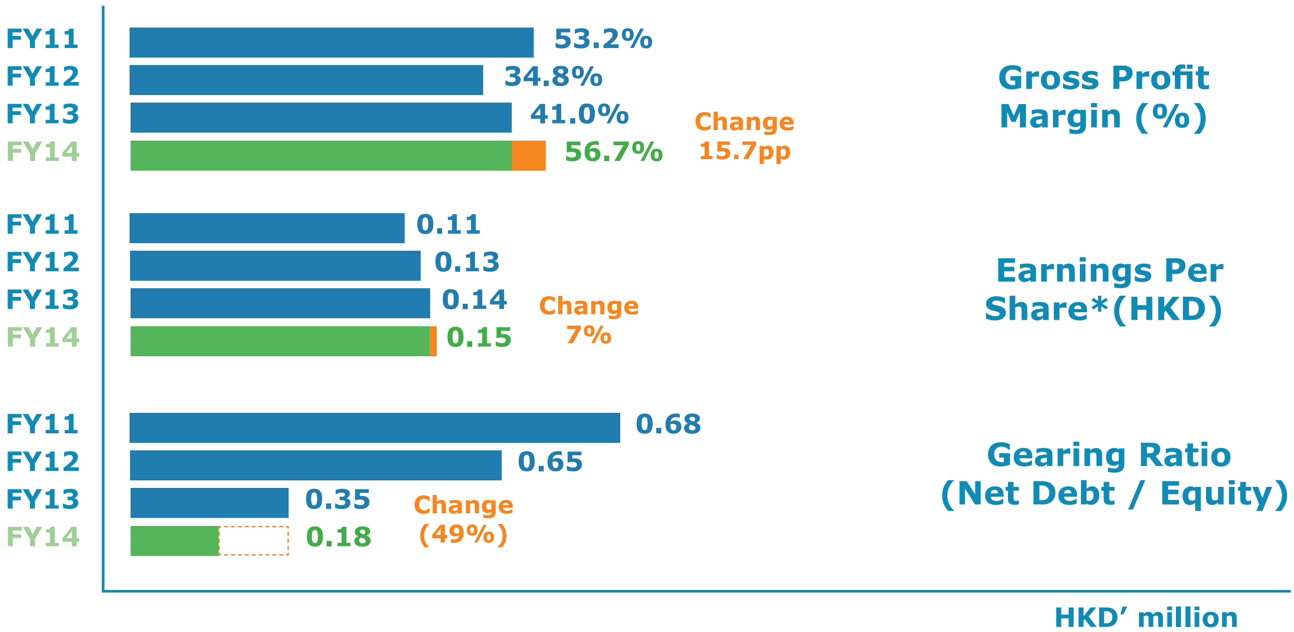
We will continue to put our best effort to capture new business opportunities to deliver sustainable growth and value to all our Shareholders.

Wang Tianyi
Executive Director, Vice-Chairman
and Chief Executive Officer

Financial Highlights



- Lower recognition of construction services revenue from service concession arrangement led to lower revenue
- The Group's financial statement for FY2014 only captured less than a month of HanKore's result as the RTO of HanKore was completed on 12 December 2014. The post acquisition financial effects will be fully reflected in FY2015



pp: percentage point

* Calculated based on the weighted average number of 1,968,743,000 ordinary shares for FY2014 and deemed 1,940,269,305 ordinary shares for FY2013, FY2012 and FY2011.

Corporate Information

Board of Directors

Executive Directors

Wang Tianyi
(Executive Director, Vice-Chairman and CEO)

Chen Dawei
(Executive Director and Vice-Chairman)

An Xuesong
(Executive Director and Standing Vice-President)

Non-Executive Directors

Chen Xiaoping
(Non-Executive Director and Chairman)

Yang Zhiqiang

Independent Directors

Lim Yu Neng Paul

Lee Kheng Joo

Cheng Fong Yee

Company Secretary
Tan Min-Li
Tay Chee Wah

Audit Committee
Lim Yu Neng Paul (Chairman)
Lee Kheng Joo
Cheng Fong Yee

Nominating Committee
Lee Kheng Joo (Chairman)
Wang Tianyi
Lim Yu Neng Paul

Remuneration Committee
Cheng Fong Yee (Chairman)
Chen Xiaoping
Lee Kheng Joo

Registered Office
Clarendon House
2 Church Street
Hamilton HM 11, Bermuda

Head Office
26/F, Block A, Oriental Xintiandi Plaza,
No.1003, Shennan Avenue,
Futian District, Shenzhen
518033,PRC
Telephone: (86)-755-82999100
Facsimile: (86)-755-82999200
Website: www.ebwater.com

Bermuda Share Registrar
Codan Services Limited
Clarendon House, 2 Church Street
PO Box HM 1022
Hamilton HM DX, Bermuda

Singapore Share Transfer Agent
Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

Auditors
KPMG LLP
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581
Partner-in-charge: Mr. Tan Huay Lim
Date of Appointment: 15 May 2014

Principal Bankers
DBS Bank Limited
Oversea-Chinese Banking Corporation Limited
Industrial and Commercial Bank of China Limited

TAPPING ON GREATER GROWTH POTENTIAL

Business Review

On 12 December 2014, China Everbright Water Holdings Limited, a wholly-owned subsidiary of Everbright International completed the RTO of HanKore Environment. The transaction, which amounted to S$1.2 billion (US$920 million), was fully paid through the issuance of new shares. Everbright International became the Group's major shareholder with a stake of 78.01%. HanKore Environment was renamed as China Everbright Water Limited. Everbright Water has become one of the largest waste water treatment companies in China. The listing on SGX creates favourable conditions for the Group to grow stronger and it implies that the Group is a step closer to its goal of becoming a leader and role model in water treatment sector in China.

As at 31 December 2014, the Group owns and operates a total of 32 waste water treatment plants with a designed treatment capacity of 3.4 million m^3/day, 4 reusable water projects with a designed treatment capacity of 62,000 m^3/day, 2 waste water source heat pump projects which covers 312,000 m^2, 56 km pipeline network and 10 pump stations.

Operation Review

During the year under review, the waste water treatment and reusable water supply capacity maintained a sustainable growth. The total waste water treatment capacity grew 62.0 million m^3 or 9.3% yoy to 728.8 million m^3, while the total reusable water supply capacity grew 0.9 million m^3 or 11.2% yoy to 94.3 million m^3. Among these, the waste water treatment capacity for Jinan Licheng Waste Water Treatment Project increased 14.7 million m^3 or 32.0% yoy to 60.4 million m^3; the waste water treatment capacity for Dezhou Nanyunhe Waste Water Treatment Project increased 14.3 million m^3 or 105.9% yoy to 27.8 million m^3; the waste water treatment capacity for Nanjing Zhujiang Waste Water Treatment Project increased 6.4 million m^3 or 66.6% yoy to 16.0 million m^3; the waste water treatment capacity for Yangzhou Jiangdu Development Zone Waste Water Treatment Project increased 2.6 million m^3 or 65.2% to 6.7 million m^3.

During the year under review, the Group had been proactively communicating with various local governments in the PRC, negotiating for adjustments in water tariff to improve operating income. As a result, an increase in waste water treatment fee is reflected across many of the Group's projects; margins raised ranges from RMB0.05 to RMB0.31, highest increment reached up to 44.28%. Among which, Dezhou Ling County Waste Water Treatment Project increased its treatment fee by 17.6% from RMB1.08/m^3 to RMB1.27/m^3; Daxing Tiantanghe Waste Water Treatment Project increased its treatment fee by 8.08% from RMB1.36/m^3 to RMB1.47/m^3; Binzhou Development Zone Waste Water Treatment Project increased its treatment fee by 11.7% from RMB0.94/m^3 to RMB1.05/m^3.

On the other hand, the Group has been improving its operational efficiency while maintaining its stable operations and discharge standards. The Group established a cost control system which reduces its operational cost through energy conservation, treatment process adjustment based on the input water quality and centralised procurement procedures. As a result, the Group has managed to lower costs of its waste water treatment projects and reusable water projects, thus the waste water treatment cost for various projects decreased between RMB0.002/m^3 to RMB0.05/m^3, highest decrease reached 8.9%; reusable water production cost decreased RMB0.35 or 22.1%.

Furthermore, Zhangqiu Waste Water Treatment Project, Ling County Waste Water Treatment Project (Plant 1) Upgrading,

Xianyang Waste Water Treatment Project Phase II have commenced commercial operations and started to contributing to the Group's earnings during the year under review.

Market Expansion

During the year under review, the Group continues to expand its market share in environmental water and its related sectors. The Group successfully acquired Veolia's stake in Qingdao Project and became the controlling shareholder of the project. In addition, the Group has also secured Zibo Reusable Water Project Phase II and Boxing Waste Water Treatment Project Expansion and Upgrade.

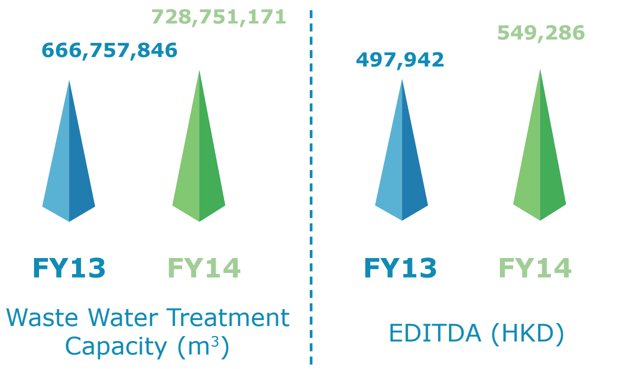
Construction Engineering

During the year under review, several of the Group's projects have completed construction and commenced operations, which include Zhangqiu Waste Water Treatment Project, Ling County Waste Water Treatment Project (Plant 1) Upgrading and Xianyang Waste Water Treatment Project Phase II. Upon completion, the total waste water treatment capacity for Xianyang Waste Water Treatment Project Phase I and Project II reached 73 million m^3 per year with Grade 1A discharge standard.

In addition, the Group has four projects that have started construction during the year under review, including Suzhou Wuzhong Chengnan Waste Water Treatment Project Phase II, Nanjing Pukou Waste Water Treatment Project Phase II expansion and upgrading, Yangzhou Jiangdu Development Zone Waste Water Treatment Project Plant II and upgrading, Boxing Waste Water Treatment Project expansion and upgrading, and Zibo Reusable Water Project Phase II. The Group estimated that the construction revenue will continue to be one of its main revenue. The Group will continue to adhere to the principle of First Class Quality, High Standards, Advanced Technology, Outstanding Efficiency, and continue to construct leading and pilot environmental water projects.

Profit Contribution

The Group's EBITDA grew 10% yoy to HKD549.3 million. The increase mainly arises from 1) the contribution of Zhangqiu Waste Water Treatment Project upon its completion, 2) an increase in service concession fee contribution from Jinan Licheng Waste Water Treatment Project, Dezhou Nanyunhe Waste Water Treatment Project, Nanjing Pukou Waste Water Treatment Project, and Yangzhou Jiangdu Development Zone Waste Water Treatment Project, as well as 3) cost saving achieved through the completion of construction projects.



Business Review

Awards and Recognitions

Jinan Waste Water Treatment Project

In July 2014, the project was awarded the "Demonstration Waste Water Treatment Company for Performance Appraisal in Shandong Province" by the Shandong Provincial Department of Housing and Urban-Rural Development.

In January and December 2014, the project received a subsidy of RMB1.1 million for waste water treatment companies from Jinan Municipal Government.

Dezhou Waste Water Treatment Project

In February 2014, the project was awarded "Outstanding Company for Emission Reduction for 2014" by Dezhou Municipal Party Committee and Municipal Government.

Jiangyin Waste Water Treatment Project

In January 2014, the project received subsidy of RMB2.57 million for reusable water usage from Jiangyin National High-Tech Zone.

In February 2015, the project was awarded "Top 10 Companies for Energy Conservation and Emission Reduction 2014" by Jiangyin Municipal Government.

In January 2015, the project was awarded "Outstanding Integrated Waste Water Treatment Company for 2014" by Jiangyin Office of Public Utilities.

Suzhou Wuzhong Chengnan Waste Water Treatment Project

In July 2014, the project was awarded "Outstanding Waste Water Treatment Company" by the Jiangsu Provincial Department of Housing and Urban-Rural Development.

Lianyungang Waste Water Treatment Project

In March 2014, the project was rated Green for environmental-friendly credibility by Lianyungang Environmental Protection Bureau.

In July 2014, the project was awarded "Outstanding Company for Operations and Administration for 2013" by Jiangsu Provincial Department of Housing and Urban-Rural Development of Jiangsu Province.

Nanjing Pukou Waste Water Treatment Project

In June 2014, the project received Jiangsu provincial environmental protection guidance special fund of RMB500,000.

Post-results Event

On 20 January 2015, the Group announced the entering into a subscription agreement with IFC and DAH, a wholly-owned subsidiary of RRJ, to raise approximately S$113.4 million via the allotment and issuance of 120.7 million new shares of Everbright Water at S$0.94 per share. The subscription shares represent approximately 4.85% of the existing issued and paid-up share capital of Everbright Water, and approximately 4.63% of the enlarged issued and paid-up share capital of Everbright Water. Upon completion, Everbright International's shareholding in Everbright Water will be slightly decreased from 78.01% to 74.4%.

Business Outlook

With the implementation of the new Environment Protect Law (环境保护法) and emergence of new environment protection policies such as Opinions on the Implementation of the Third-Party Control of Environmental Pollution (关于推进环境污染第三方治理的意见), the PRC government has further raised its emphasis on the country's environmental issues to a whole new level. Under the influence of its macro-environment, the water sector in the PRC, which is heavily dependent on government policies, is now showing sign of 'normalisation' due to the changes faced in its external environment. All levels of the PRC government will continue to encourage its social capital groups to invest in municipal water projects such as water supply and waste water treatment. The PPP model has become an important development model for the water sector. This will greatly affect the future development pattern of the industry, as the increasing market demand for water sector becomes the new norm.

The Water Pollution Prevention & Control Action Plan, also known as the Clean Water Action Plan (水十条) will be soon released. In addition, the VOC management, emission trading system, environment tax, and the 13th Five-Year Plan, which are still under review, will further raise the discharge standards and water tariff in the PRC. Recently, the National Development and Reform Commission, along with its Ministry of Finance and Ministry of Housing, unveiled the sewage treatment fee collection method and water tariff pricing and adjustment mechanism (关于制定和调整污水处理收费标准等有关问题的通知) to encourage investment from social capital groups, raise the collection power for waste water treatment fee, and implement related supporting policies. Through this, the PRC government hopes to further improve the revenue of waste water treatment companies.

The market share of the PRC's leading company in its water sector is less than 5%. Currently, the market is still highly fragmented and immensely competitive. It is still at an initial phase with a lot of mergers happening and every company is still fighting to take up more market share. At the same time, the sector is faced with the competition of social capital groups, which quickens the expectations for market consolidation. The industry is developing to require higher technology specialization, more complexity in services, and larger scale assets. As a result, existing market competition moulds from simple single project based competitions to more comprehensive competitions involving the consideration of industrial chains, technology, branding, etc. There are infinite possibilities in this evolving market.

The Group will seize this opportunity and fully utilize its excellent market resources in the PRC to increase its market share, market expansion and accelerate its growth. At the same time, the Group will place emphasis on improving its corporate branding, culture, management, communication and technology, in order to make the Group stronger, bigger and better. The Group aims to become one of the leading water companies in China within the next two to three years.

Moving forward, the Group will continue to ride on the favourable trends and leverage on its parent company, Everbright International's strong financial backing. We are confident in our future development as the Group will continue to forge ahead with its advance management philosophy and strategy, ability, and to seize the best opportunity while keeping up with the fast-paced market, strong emphasis on risk management, and its stable corporate foundation. The Group will do real-time market risk monitoring in preparation of the ever-changing and complex international and domestic economies. This will help to ensure steady growth and maximize value for our Shareholders. The Group will contribute more efforts and fulfil its commitments and social responsibility towards social development, economic growth and environmental governance.

Board of Directors

Chen Xiaoping
Non-Executive Director
and Chairman

Mr. Chen is the Non-Executive Director and Chairman of the Group, he is also a member of the Remuneration Committee. Mr. Chen is the Executive Director and Chief Executive Officer ("CEO") of Everbright International, a company listed on the Main Board of the Stock Exchange of Hong Kong ("HKSE"). He is also a Standing Director of China Environmental Culture Promotion Association.

Mr. Chen has rich experience and extensive knowledge in banking, capital market and management. He had been a department head in the Bureau of Investigation & Supervision of The People's Bank of China, the Assistant Governor of China Everbright Bank Company Limited and the President of the Bank's Guangzhou Branch.

Mr. Chen graduated from the Department of Finance of the Southwest University in Finance and Economics, the PRC, finished the MBA class of the Research Institute of Business Management of Sichuan University, the PRC and holds a Master's Degree with a major in Money & Banking from the Department of Finance and Trade of the China Research Institute of Social Science. He holds the title of Senior Economist and Certified Public Accountant in the PRC. He was also engaged as a researcher at the China International Economic Development Research Centre.

Wang Tianyi
Executive Director,
Vice-Chairman and CEO

Mr. Wang is Executive Director, Vice-Chairman and CEO of the Group, he is also a member of the Nominating Committee. Mr. Wang is the Executive Director and General Manager of Everbright International.

Mr. Wang was the President of Shandong Academy of Science. He was formerly the Deputy Mayor of Jinan City of Shandong Province. Mr. Wang had been the Vice President, Dean and Professor of Economic Management Faculty of Yantai University of Shandong Province. He is currently also a part-time professor and doctoral tutor of Shandong University. He is also a member of HKTDC Mainland Business Advisory Committee.

Mr. Wang holds a Doctorate's degree in Economics, a Master's degree in Management and a Bachelor's degree in Electronics from Tsinghua University. He had pursued advanced studies at Harvard University and University of California in the United States.

Chen Dawei

Executive Director
and Vice-Chairman

Mr. Chen is the Executive Director and Vice-Chairman of the Group. Mr. Chen joined the Group as the President in September 2010, and was appointed the Executive Chairman and CEO of the Group from May 2011 to December 2011, whereupon he relinquished his position as CEO and was re-designated as Executive Chairman from December 2011 to December 2014.

Mr. Chen has extensive experience in Chinese enterprises management, mergers and acquisitions. He accumulated experience in the waste water treatment industry as the founder and CEO of Beijing Revolution Science and Technology Co., Ltd. , and President of Tianjin Com-link Water Treatment Engineering & Technology Co., Ltd. Mr. Chen was also the Executive Director of Beijing Juntai Investment Management Limited.

Mr. Chen obtained an Executive Master of Business Administration (majoring in China-America Finance) from Peking University in July 2012. He is currently an Executive Master of Business Administration candidate at the National University of Singapore.

An Xuesong

Executive Director
and Standing Vice-President

Mr. An is the Executive Director and Standing Vice-President of the Group, he is also the Deputy General Manager of Everbright International.

Mr. An has comprehensive experience and knowledge in mergers and acquisitions, project investment and management, accounting management and risk management. Prior to joining the Company, Mr. An served at The General Office of Hubei Jingzhou Municipal People's Government, China Everbright Bank Ltd and Guangdong Technology Venture Capital Group Ltd.

Mr. An holds a Master of Business Administration Degree of Jinan University, he also holds the title of Certified Public Accountant in the PRC and Certified International Internal Auditor.

Board of Directors

Yang Zhiqiang
Non-Executive Director

Mr. Yang is the Non-Executive Director of the Group. He is also the Chief Legal Officer of Everbright International.

Mr. Yang was formerly the Legal Assistant and PRC legal consultant of Livasiri & Co., the lawyer of Beijing Xinghe Legal Firm and Jiade Legal Firm, Shenzhen branch.

Mr. Yang graduated in Medical Science Department from Beijing Medical University. He obtained the Professional Certificate of Law recognized by the Law Society of England and Wales and holds the title of Lawyer in the PRC.

Lim Yu Neng Paul
Independent Director

Mr. Lim is the Independent Director of the Group. Mr. Lim was the Independent Director from July 2007 to June 2010, and was appointed the Interim Acting Chief Executive Officer and Executive Director of from June 2010 to May 2011. He was then re-designated the Non-Executive Director of the Group from May 2011 to February 2013 and subsequently was appointed as Lead Independent Director of the Group from February 2013 to December 2014. Mr. Lim is also the Chairman of the Audit Committee and a member of the Nominating Committee.

Mr. Lim has over 26 years of banking experience with international investment banks including Morgan Stanley, Deutsche Bank, Solomon Smith Barney and Bankers Trust. He is currently the Non-Executive Chairman of PT BNI Securities.

Mr. Lim is the Independent Director of United Fiber System Limited and Nippecraft Limited. He obtained his Masters Degree in Business Administration, Finance and Bachelor of Science in Computer Science from the University of Wisconsin, Madison, USA. He is also a Chartered Financial Analyst (CFA).

Cheng Fong Yee
Independent Director

Ms. Cheng is the Independent Director of the Group. She joined the Group since July 2007. Ms. Cheng is also the Chairman of the Remuneration Committee and a member of the Audit Committee.

Ms. Cheng has more than 20 years of experience in the insurance industry and is an Associate of the Australian Insurance Institute. She has been involved in major overseas insurance projects, particularly in the Asia Pacific, and is actively involved in utilising insurance as a financial tool for project development in Asia Pacific. Ms. Cheng is the head of the Insurance Division of AsiaOne Insurance Agency Pte. Ltd. in Singapore and executive director (Principal Representative) of the Cambodia Branch of AsiaOne Insurance Agency Pte. Ltd.

She also headed the Business Development Department of Aon Insurance Brokers, the biggest broking house in Asia and managed the insurance division of the Singapore Technologies Group.

Ms. Cheng completed her insurance study in April 1987 at the Australian Insurance Institute.

Lee Kheng Joo
Independent Director

Mr. Lee is the Independent Director of the Group. He joined the Group since May 2011. Mr. Lee is also the Chairman of the Nominating Committee and a member of the Remuneration Committee and Audit Committee.

Mr. Lee is the Managing Director of Longxi Holdings, an oil and gas investment and management company since September 2014.

Mr. Lee was the CEO of Longmen Group and the General Manager of a fund of funds that invest exclusively in the environmental protection business. He helped in the starting up of the China Environmental Fund, a venture fund in collaboration with Tsinghua University. He was the group general manager of Asia Online responsible for M&A and operations of the Greater China operations and the Chief Operating Officer of Pacific Internet's Hong Kong operations. He also used to work as the commercial director of Hutchison Telecoms in China and Malaysia, and as the product manager of Singapore Telecommunications Limited. He also used to work as a commercial manager at Philips Lighting in Asia Pacific Management Centre based in Taiwan.

Mr. Lee graduated with a Bachelor of Business Administration Degree from the National University of Singapore. He is the Vice Chairman of Xi'an Chamber of Commerce.

Key Management

Luo Junling
Vice President

Mr. Luo is the Vice-President of the Group. He is responsible for the operation management.

Prior to joining the Group, Mr. Luo worked in the International Business Department of China Construction Bank, Fujian Branch, Finance Manager of Fujian Guang Min Road Bridge Construction Co., Ltd., and CPA of Fujian Min Xing Accounting Firm.

Mr. Luo holds a Bachelor degree in International Accounting from Shaanxi Institute of Finance and Economics. He also holds the title of Certified Public Accountant and Certified Tax Agents in the PRC.

Tao Junjie
Vice President

Mr. Tao is the Vice-President the Group. He is responsible for the engineering construction.

Mr. Tao has rich experience in engineering construction and operation management. Mr. Tao holds a Doctorate's degree in Environment Engineering of Wuhan University of Technology, a Master's degree in Architecture and Civil Engineering of Xi'an University of Architecture and Technology. He also holds the certificate of Certified Supervision Engineer and the title of Engineering Technology Researcher.

Yau Wing Yiu
Chief Financial Officer ("CFO")

Mr. Yau is the CFO of the Group. He joined the Group as the Independent Director from November 2010 to February 2013, and was re-designated the Executive Director and CFO from February 2013 to December 2014.

Mr. Yau is the Independent Director of Carry Wealth Holdings Limited. Prior to joining the Group, he took on the roles of Executive Director of China Strategic Holdings Limited, Finance Director of Microsoft China Company Limited and Senior Vice-President, Mergers and Acquisition of PCCW.

Mr. Yau obtained a Master of Business Administration Degree from the Hong Kong University of Science and Technology and a Bachelor of Arts Degree from the City University of Hong Kong. He is also a member of the American Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants.

Chang Song
Financial Controller

Mr. Chang is the Financial Controller of the Group. He is responsible for the finance management.

Mr. Chang has extensive experience in finance, investment, banking and budget management. He joined China Everbright International Limited in 2006, prior to that, Mr. Chang worked at China Merchants Bank and China Merchants Petrochemical.

Mr. Chang obtained a Master of Business Administration Degree from Wuhan University. He is also the member of the Association of Chartered Certified Accountants (ACCA).

An Yili
Chief Engineer

Mr. An is the Chief Engineer of the Group. He is responsible for technology research and development management.

Mr. An was the Vice-Chief Engineer of China Everbright Environmental Protection Engineering Technology (Shen Zhen) Co., Ltd., Greater China Senior Project Manager of CH2M HILL. He was also the General Engineer and General Manager of Infrastructure Department of General Water of China Co., Ltd. ("General Water"), and General Manager of Yuan Shui Technology Co., Ltd. (a wholly-owned subsidiary of General Water). He was also the Chief Engineer and General Manager of Engineering Management Center of China Guodian Beijing Lucency Enviro-Tech Co., Ltd.

Mr. An holds a Master's degree in Application Science of Environmental System Engineering from University of Regina and a Bachelor's degree in Water Supply and Sewerage Engineering from Tongji University.

Lin Zhe Ying
Vice President

Mr. Lin is the Vice-President of the Group. He joined the Group as the Executive Director from May 2011 to December 2014, and was re-designated the Vice-President in December 2014.

Mr. Lin is currently the Chairman of Ancient Jade Capital Management Co., Ltd. and the Vice-Chairman and Senior Vice-President of SF Express Limited. Prior to that, he was the Deputy Director of the Department of Foreign Trade of the Ministry of Commerce of the PRC.

Mr. Lin holds a Doctorate in Business Administration from the ESC Rennes School of Business and an EMBA from the Peking University School of Guanghua Management.

Corporate Governance Report

The Company is committed to achieving high standards of corporate governance to ensure investor confidence in the Company as a trusted business enterprise. The Board and Management will continue to uphold good corporate governance practices to enhance long-term value and returns for shareholders and protect shareholders' interests.

This report outlines the Company's corporate governance practices for the financial year ended 31 December 2014 ("**FY-DEC2014**") with specific reference made to the principles and guidelines of the Code of Corporate Governance 2012 (the "**Code**") issued in May 2012, which forms part of the continuing obligations of the Listing Rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**").

After the completion of acquisition of China Everbright Water Investments Limited on 12 December 2014, the Company had changed its financial year end from 30 June to 31 December. Accordingly, the current financial year of the Group will cover a period of 12 months from 1 January 2014 to 31 December 2014.

(A) BOARD MATTERS

The Board's conduct of its affairs

The Board's key responsibilities include providing leadership and supervision to the management of the Company and its subsidiaries (the "Group") with a view to protecting shareholders' interests and enhancing long-term shareholders' value.

The Board's principal functions include the following:

(1) provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Group to meet its objectives;

(2) review and approve corporate strategies, financial objectives and direction of the Group;

(3) establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the Group's assets;

(4) establish goals for management and monitor the achievement of these goals;

(5) ensure management leadership of high quality, effectiveness and integrity;

(6) review management performance;

(7) approve annual budgets and investment and divestment proposals;

(8) review the internal controls, risk management, financial performance and reporting compliance;

(9) identify the key stakeholder group and recognise that their perceptions affect the Company's reputation;

(10) set the Group's value and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met;

(11) consider the sustainability issues, such as environmental and social factors, as part of its strategic formulation; and

(12) assume responsibility for corporate governance.

Corporate Governance Report

All Directors exercise due diligence and independent judgment, and are obliged to act in good faith and consider at all times the interest of the Company.

To execute its responsibilities, the Board has delegated specific functions to various sub-committees, namely, the Nominating Committee, the Remuneration Committee and the Audit Committee. These sub-committees function within written terms of reference and operating procedures, which are reviewed on a regular basis. Each of these committees reports its activities regularly to the Board.

The Board meets regularly, at least on a quarterly basis. Ad-hoc meetings are held at such times, as and when required, to address any specific significant matters that may arise. At meetings of the Board, the Directors are free to discuss and openly challenge the views presented by management and other Directors. The decision making process is an objective one.

The number of meetings and Directors' attendance at the Board meetings and Board Committees meetings, held during the year, are as follows:

	Board		**Audit**		**Remuneration**		**Nominating**	
Directors/ Board Members	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Mr. Chen Xiaoping(1)	9	#1	NA	NA	1	*-	NA	NA
Mr. Wang Tianyi(2)	9	#1	NA	NA	NA	NA	1	*-
Mr. An Xuesong(3)	9	#1	NA	NA	NA	NA	NA	NA
Mr. Yang Zhiqiang(4)	9	#1	NA	NA	NA	NA	NA	NA
Mr. Chen Dawei(5)	9	9	NA	NA	NA	NA	1	1
Mr. Nie Jian Sheng(6)	9	8	NA	NA	NA	NA	NA	NA
Mr. Lin Zhe Ying(7)	9	6	NA	NA	NA	NA	NA	NA
Mr. Lim Yu Neng Paul(8)	9	9	5	5	NA	NA	1	1
Mr. Chen Da Zhi(9)	9	6	NA	NA	1	1	NA	NA
Mr. Yau Wing Yiu(10)	9	8	NA	NA	NA	NA	NA	NA
Mr. Lee Kheng Joo	9	9	5	5	1	1	1	1
Ms. Cheng Fong Yee	9	9	5	5	1	1	NA	NA

Note:

NA – Not a Member of the Committee
** - Meeting was held prior to appointment and therefore not in attendance*
 # - Directors attendance at Board Meeting after their appointments on 12 December 2014

(1) Mr. Chen Xiaoping was appointed as Non-Executive Director and Chairman of the Company and a member of the Remuneration Committee with effective from 12 December 2014.

(2) Mr.Wang Tianyi was appointed as Executive Director, Vice-Chairman and Chief Executive Officer of the Company with effective from 12 December 2014.

(3) Mr. An Xuesong was appointed as Executive Director and Standing Vice-President with effective from 12 December 2014.

(4) Mr. Yang Zhiqiang was appointed as Non-Executive Director with effective from 12 December 2014.

(5) Mr. Chen Dawei remained as Executive Director and be re-designated to a Vice-Chairman with effect from 12 December 2014.

(6) Mr. Nie Jian Sheng resigned as Executive Director and Chief Executive Officer with effect from 12 December 2014.

Corporate Governance Report

(7) Mr. Lin Zhe Ying resigned as Executive Director with effect from 12 December 2014.

(8) Mr. Lim Yu Neng Paul re-designated to Independent Director from Lead Independent Director with effect from 12 December 2014.

(9) Mr. Chen Da Zhi resigned as Non-Executive Director with effect from 12 December 2014.

(10) Mr. Yau Wing Yiu remained as Chief Financial Officer and resigned as Executive Director with effect from 12 December 2014.

In lieu of physical meetings, written resolutions were also circulated for approval by members of the Board. The Company's Bye-Laws also provide for meetings by way of telephone, electronic or other communication facilities.

Matters which are specifically reserved to the full Board for decision are those involving a conflict of interest for a substantial shareholder or a Director, material acquisitions and disposal of assets, corporate or financial restructuring, share issuance and dividends, and financial results and corporate strategies. The Board will provide directions to the Management team of the Group's business divisions through presentations at Board and Board Committee meetings.

There were four (4) incoming directors during the course of the financial year which are, Mr. Chen Xiaoping, Mr. Wang Tianyi, Mr. An Xuesong and Mr. Yang Zhiqiang who have been appointed by the shareholders at the Special General Meeting held on 5 December 2014.

The new directors had attended courses on the roles and responsibilities of a director of a listed company on the SGX-ST prior to their appointments to help them familiarize with the business and governance practices of the Company.

The current members of the Board are familiar with the Group's business operations and corporate governance practices. The Nominating Committee ensures that new Board appointees are provided with information to familiarise themselves with the Group's business, strategic goals and directions and corporate governance practices.

The Company provides ongoing education on Board processes, corporate governance practices and industry developments to all Directors. Management further provide regular updates on changes in the relevant laws, regulations and changing commercial risks to enable Director to make well-informed decisions and to ensure that the Directors are competent in carrying out their expected roles and responsibilities. At the same time, Directors are encouraged to keep themselves abreast of the latest developments relevant to the business of the Group.

Besides that, Directors also have the opportunity to visit the Group's operational facilities and meet with the Management to gain a better understanding of the Group's business operations.

Board Composition and Balance

The Board currently comprises of eight Directors, three of whom are Independent Directors. The Directors of the Company as at the date of this report are:-

(i) Chen Xiaoping (Non-Executive Director and Chairman)
(ii) Wang Tianyi (Executive Director, Vice-Chairman and Chief Executive Officer ("**CEO**"))
(iii) Chen Dawei (Executive Director and Vice-Chairman)
(iv) An Xuesong (Executive Director and Standing Vice-President)
(v) Yang Zhiqiang (Non-Executive Director)
(vi) Lim Yu Neng Paul (Independent Director)
(vii) Lee Kheng Joo (Independent Director)
(viii) Cheng Fong Yee (Independent Director)

Corporate Governance Report

The independence of each Director is assessed and reviewed annually by the NC. The NC adopts the Code's definition of what constitutes an Independent Director in its review. The Board considers an Independent Director as one who has no relationship with the Group, its related companies, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment with a view to the best interest of the Company and the Group's affairs. Each Independent Director is required to complete a Director's Independence Checklist annually to confirm his/ her independence based on the guidelines as set out in the Code. For FY-DEC2014, the NC has determined that all the three Independent Directors are independent. The Board has determined that it is of an appropriate size to facilitate effective decision making, and to meet the objective of having a balance of skills and experience, taking into account the size and scope of Company's operations.

The current Board comprises of business leaders and professionals with industry, accounting, financial, business and management backgrounds. This composition enables the management to benefit from a diverse and objective external perspective, on issues raised before the Board. Each Director has been appointed based on the strength of his caliber, experience and his potential to contribute to the Group and its businesses. Profiles of the Directors are set out on pages 14 and 17 of this Annual Report.

The Board is able to exercise objective judgment on corporate affairs independently from the Management. No individual or group of individuals is allowed to dominate the Board's decision making. The Board is of the view that, given its current structure, there is sufficiently strong independent element on the Board to enable independent exercise of objective judgment on corporate affairs of the Group by members of the Board, taking into account factors such as the number of Independent Directors on the Board, as well as the size and scope of the affairs and operations of the Group.

Non-Executive Director constructively challenge and assist develop proposals on strategy, and review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance.

Currently, there is no director who has served on the Board beyond nine years from the date of his/her appointment.

Chairman and Chief Executive Officer

The Board recognises the Code's recommendation that the Chairman and the Chief Executive Officer should be separate persons to ensure that there is an appropriate balance of power and authority within the Company.

The Non-Executive Chairman of the Company is Mr. Chen Xiaoping and the CEO is Mr. Wang Tianyi. The Chairman bears the responsibility for the effective conduct of the Board whilst the CEO bears the executive responsibility for the operation of the Group's business. The Chairman and the CEO are not related to each other.

The Chairman is responsible for exercising control over the quality and timeliness of the flow of information between management and the Board and ensuring compliance with the Group's guidelines on corporate governance. The Chairman ensures that Board meetings are held regularly in accordance with as agreed schedule of meetings and sets the agenda of the Board meetings. The Chairman also builds constructive relations within the Board and between the Board and management, and facilitate the effective participation of non-executive directors by promoting a culture of openness and debate of the Board. The Chairman further ensures effective communication with shareholders and promote high standards of corporate governance.

The CEO is responsible for the day to day management of the Company and work with the Board for strategic planning, business development and charting the growth of the Group.

Corporate Governance Report

The Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision making by the Board is independent and based on collective decisions without any individual exercising any considerable concentration of power or influence. Further, the Audit Committee, Remuneration Committee and Nominating Committee are chaired by Independent Directors.

All the Board committees are chaired by Independent Directors and at least one-third of the Board consist of Independent Director. There is no appointed Lead Independent Director after the change of Board members on 12 December 2014 and considering the Company's current business operations and Board size of eight members with three being Independent Directors, the appointment of a Lead Independent Director for the year under review is not necessary. Nevertheless, the Board will annually examine the need for such appointment.

Board Membership

The Nominating Committee ("**NC**") comprises Mr. Lee Kheng Joo as its Chairman, Mr. Lim Yu Neng Paul and Mr. Wang Tianyi as its members with majority of whom, including the Chairman are Independent Directors. The Chairman of the Nominating Committee is not directly associated with a substantial shareholder of the Company within the meaning of the Code.

The key terms of references of the NC are as follows:

(1) establishing procedures and make recommendations to the Board on all board appointments and re-nominations with regards to each Director's contribution and performance, his or her attendance at meetings of the Board or Board committees (where applicable), participation, candour and any special contributions;

(2) reviewing and determine annually whether a Director is independent, bearing in mind the considerations set out in the Code;

(3) deciding whether or not each Director is able to and has adequately carried out his duties as a Director of the company, taking into consideration the Director's number of listed company board representations and other principal commitments;

(4) developing a process for evaluation of the performance of the Board, Board Committees and Directors; and

(5) reviewing of training and professional development programmes for the Board.

Where a vacancy arises under any circumstances, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the NC, in consultation with the Board, determines the selection criteria and selects candidates with the appropriate expertise and experience for the position. Besides, the qualification and experience of each candidate, the NC takes into consideration of the candidate's ability to increase the effectiveness of the Board and to add value to the Company's business in line with its strategic objectives.

In considering the re-appointment of a Director, the NC evaluates such Director's contribution and performance, such as his or her attendance at meetings of the Board or Board committees, where applicable, participation, candour and any special contributions.

All Directors are subject to the provisions of the Company's Bye-Laws whereby each Director shall retire at least once every three (3) years and shall be eligible for re-election. There is no Director that is subject to retiring at the forthcoming AGM.

Corporate Governance Report

The NC conducts an annual review of Directors' independence and is of the view that Mr. Lim Yu Neng Paul, Mr. Lee Kheng Joo and Ms. Cheng Fong Yee are independent and that, no individual or small group of individual dominates the Board's decision-making process.

All Directors are required to declare their board representations. When a Director has multiple board representation, the NC will consider whether the Director is able to adequately carry out his/her duties as a director of the Company, taking into consideration the Director's number of listed company board representations and other principal commitments.

The NC has reviewed and is satisfied that all Directors, who sit on multiple boards, have been able to devote sufficient time and attention to the affairs of the Company to adequately discharge their duties as Directors of the Company, notwithstanding their multiple board appointments.

The Board will determine the maximum number of listed company board representations which any director may hold as and when required.

There is no alternate director on the Board.

The dates of initial appointment, last re-election/re-appointment and other directorship of each of the Directors of the current Board are set out below:-

Director	**Position**	**Date of Initial Appointment**	**Date of Last Re-Election**	**Membership of Board Committee**	**Directorship/ Chairmanship both present and those held over the preceding three years in other listed company**
Mr. Chen Xiaoping	Non-Executive Director and Chairman	12 Dec 2014	NA	Member of Remuneration Committee	Present: China Everbright International Limited (listed on HKSE)
Mr. Wang Tianyi	Executive Director, Vice-Chairman and CEO	12 Dec 2014	NA	Member of Nominating Committee	Present: China Everbright International Limited (listed on HKSE)
Mr. Chen Dawei	Executive Director and Vice-Chairman	21 May 2011	31 Oct 2014	–	NA
Mr. An Xuesong	Executive Director and Standing Vice-President	12 Dec 2014	NA	–	NA
Mr. Yang Zhiqiang	Non-Executive Director	12 Dec 2014	NA	–	NA
Mr. Lim Yu Neng Paul	Independent Director	31 July 2007	29 Oct 2013	Chairman of Audit Committee & Member of Nominating Committee	Present: 1. United Fiber System Limited (listed on SGX) 2. Nippercraft Limited (listed on SGX) 3. Intrepid Mines Limited (listed on ASX)

Corporate Governance Report

Director	Position	Date of Initial Appointment	Date of Last Re-Election	Membership of Board Committee	Directorship/ Chairmanship both present and those held over the preceding three years in other listed company
Mr. Lee Kheng Joo	Independent Director	21 May 2011	31 Oct 2014	Chairman of Nominating Committee; Member of Audit Committee & Member of Remuneration Committee	NA
Ms. Cheng Fong Yee	Independent Director	31 July 2007	29 Oct 2013	Chairman of Remuneration Committee & Member of Audit Committee	NA

Board Performance

The NC has adopted a formal process for the evaluation of the performance of the Board as a whole and the contribution by each Individual Director to the effectiveness of the Board. The performance criteria includes, amongst others, an evaluation of the size and composition of the Board, the Board's access to information, accountability, Board processes and Board performance in relation to discharging its principal responsibilities in terms of the financial indicators as set out in the Code. The findings were analyzed and discussed with a view to implementing certain recommendations to further enhance the effectiveness of the Board. No external facilitator was used in FY-DEC2014.

During the financial year, all Directors are requested to complete a Board Evaluation Questionnaire and Individual Director Self Appraisal Form designed to seek their view on the various aspects of the Board performance and the contribution by individual directors respectively so as to assess the overall effectiveness of the Board. The assessment process involves and includes input from the Board members before submitting to the Board for discussing and determining areas for improvement and enhancement of the Board's effectiveness as well as its implementation.

Following the review, the NC assessed the Board's performance as a whole and the contribution by individual Directors in FY-DEC2014 and is of the view that the Board's performance as a whole and the contribution by individual Directors are satisfactorily.

Access to Information

To enable the Board to function effectively and to fulfill its responsibilities, Management strives to provide Board members with adequate information for Board meetings and on an ongoing basis.

The Board is furnished with Board papers prior to any Board meeting. These papers are issued in sufficient time to enable Directors to obtain additional information or explanations from Management, if necessary.

The Board is also informed of any significant developments or events relating to the Company timely.

Directors are given separate and independent access to the Management team to address any enquiries and also have separate and independent access to the Company Secretary. The Company Secretary attends all Board meetings and ensures that they are conducted in accordance with the Bye-Laws of the Company and the applicable rules and regulations are complied with. When necessary, Directors can seek independent professional advice at the Company's expense.

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

The Remuneration Committee ("**RC**") comprises Ms. Cheng Fong Yee as Chairman, Mr. Chen Xiaoping and Mr. Lee Kheng Joo as its members with majority of whom, including the Chairman are Independent Directors.

The key terms of references of the RC are as follows:-

(1) recommending to the Board, in consultation with the chairman of the Board, for endorsement, a remuneration policy framework and guidelines for remuneration of the Directors and senior management of the Group;

(2) recommending specific remuneration packages for each of the Directors and the senior management (including, but not limited to, Directors' and senior management's fees, salaries, allowances, bonuses and benefits-in-kind);

(3) reviewing the obligations of the Group arising in the event of termination of the service contracts of the Group Directors and key management personnel; and

(4) administering the share incentive plans of the Group, if any.

The RC is responsible for ensuring that a formal and transparent procedure is in place for developing an appropriate executive remuneration policy and a competitive framework for determining the remuneration packages of individual Directors and key executives. The RC recommends for the Board's endorsement, a framework of remuneration, including but not limited to Director's fees, salaries, allowances, bonuses, options and benefits in kind for each Director and key executives. No Director shall be involved in any decision-making in respect of any compensation to be offered or granted to him.

For FY-DEC2014, the RC has sought AON Hewitt (Singapore) Pte Ltd's ("AON Hewitt") advice on the remuneration package of the Executive Directors. There is no relationship between the Company and AON Hewitt that will affect the independence and objectivity of AON Hewitt.

The RC reviews the Company's obligations arising in the event of termination of Executive Directors and key executives' contracts of services to ensure that such contracts of service contain fair and reasonable termination clause.

Corporate Governance Report

Level and Mix of Remuneration

Under the framework developed by the Remuneration Committee ("RC"), the RC uses the following factors to determine Directors' remuneration:

(1) qualifications and experience of Directors required by the Company;

(2) for Independent Directors, the general level of fees earned by each Director in his professional capacity or billed by professionals in their industry;

(3) time spent in preparing for meetings and actual attendance;

(4) indirect costs and expenses incurred by the Directors;

(5) such remuneration as may be considered fair and reasonable having regard to the nature and size of the business of the Company;

(6) level of remuneration to vary in direct proportion to the extent of involvement and participation in and contribution to the business of the Company;

(7) the level of commitment and the ability to devote sufficient time and attention to the business of the Company; and

(8) where special circumstances justify, the payment of additional remuneration.

Annual reviews are carried out by the RC to ensure that key executives are appropriately rewarded, giving due regard to the financial health and business needs of the Group without being excessive and thereby maximize shareholder value.

The Executive Directors have service agreements with the Company. Their compensation consists of salary, bonus, fixed fee and incentive bonus that are dependent on the Group's performance.

The Group's remuneration policy is to provide compensation packages appropriate to attract, retain and motivate Directors and key executives.

The Company has long-term scheme involving the offer of options under HanKore Employee Share Option Scheme.

The Independent Directors receive Directors' fees in accordance with their level of contributions, taking into account factor such as effort and time spent for serving on the Board and Board Committees, as well as the responsibilities and obligations of the Directors. The Company recognizes the need to pay competitive fees to attract, motivate and retain Directors without being excessive to the extent that their independence might be compromised.

Directors' fees are recommended by the Board for approval by the shareholders at the AGM of the Company.

Corporate Governance Report

Disclosure on Remuneration

A breakdown of the remuneration of Directors and the top five key executives (who are not Directors) for the financial year ended 31 December 2014 is set out below:

a) The level and mix of each Director's remuneration are as follows:-

Remuneration Band and Name of Director	Directors' Fee (S$'000)	Salary# (S$'000)	Bonus (S$'000)	Benefits in kind (S$'000)	Award of Share Options (S$'000)	Total (S$'000)
Mr. Chen Xiaoping	–	–	–	–	–	–
Mr. Wang Tianyi	–	–	–	–	–	–
Mr. Chen Dawei	–	597	155	192	2,079	3,023
Mr. An Xuesong	–	–	–	–	–	–
Mr. Yang Zhiqiang	–	–	–	–	–	–
Mr. Lim Yu Neng Paul	80	–	–	–	351	431
Mr. Lee Kheng Joo	40	–	–	–	234	274
Ms. Cheng Fong Yee	40	–	–	–	234	274
Mr. Nie Jian Sheng	–	351	133	–	1,403	1,887
Mr. Yau Wing Yiu	–	332	110	–	1,286	1,728
Mr. Lin Zhe Ying	–	238	44	–	935	1,217
Mr. Chen Da Zhi	40	–	–	–	–	40

 # The salary amount shown is inclusive of allowances, statutory contributions, all fees other than Directors' fees, and other emoluments.

b) The level and mix of each key executive's (who are not Directors) remuneration in bands are as follows:

Remuneration Band and Name of Key Executive	Salary# %	Bonus %	Benefits in kind %	Award of Share Options %	Total %
S$500,000 to below S$750,000					
Mr. Wang Wei Dong (resigned as Vice-President on 15 December 2014)	16	6	–	78	100
S$250,000 to below S$500,000					
Ms. Ge Lun Can (resigned as Vice-President on 29 December 2014)	26	10	–	64	100
Mr. Li Shi Hua (resigned as Vice-President on 15 December 2014)	26	12	–	62	100

Corporate Governance Report

Remuneration Band and Name of Key Executive	Salary# %	Bonus %	Benefits in kind %	Award of Share Options %	Total %
Below S$250,000					
Mr. Luo Junling	–	–	–	–	–
Mr. Tao Junjie	–	–	–	–	–
Mr. Chang Song	–	–	–	–	–
Mr. An Yili	–	–	–	–	–

\# *The salary amount shown is inclusive of allowances, statutory contributions and other emoluments.*

The aggregate amount of the total remuneration paid to the abovementioned top key executive is S$1,563,000.

There are no employees of the Group who are immediate family members of a Director or CEO and whose remuneration exceeds S$50,000 during the financial year ended 31 December 2014.

The HanKore Employee Share Option Scheme (the "**Scheme**") was approved by shareholders at the Company's Special General Meeting held on 27 October 2011 and the Group has granted options to the Directors and key executive under the Scheme. Matters relating to the Scheme were administered by the RC. Details of the options granted under the Scheme to the controlling shareholder and Directors are set out in the "Directors' Report" on page 38 to 39 of this Annual Report.

The detail of the options granted under the Scheme and the exercise period is as follow:-

Date of grant	**Exercise Period**
15 November 2013*	16 November 2014 – 15 November 2023

* *The exercise price per share under each option granted was at a price equal to the average of the last dealt prices for the shares of the Company on the SGX-ST over the three consecutive market days immediately preceding the date of grant of that option.*

* *As at 31 December 2014, there is no outstanding options for the employees of the Company and the executive and non-executive directors under the scheme.*

(C) ACCOUNTABILITY AND AUDIT

Accountability

The Board's primary role is to protect and enhance long-term value and returns for shareholders. In the discharge of its duties to shareholders, the Board, when reporting the Group's financial performance via SGXNET announcements and the Annual Report, has a responsibility to present a fair assessment of the Group's financial performance, position and prospects. Management currently provides the Board with detailed management accounts of the Group's performance, position and prospects on a quarterly basis and/ or when requested. Such reports provides highlight of key business indicators and major issues relevant to the Group's performance, position and prospects. Directors have access to Management at all times.

Corporate Governance Report

In line with the Listing Rules of the SGX-ST, the Board provides a negative assurance statement to the shareholders in its quarterly financial statements announcements, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect.

Risk Management and Internal Controls

The Group's internal controls and systems are designed to provide reasonable, but not absolute assurance to the integrity and reliability of the financial information and to safeguard and maintain the accountability of the assets. While no cost effective internal control system can provide absolute assurance against loss or misstatement, the Audit Committee, with the participation of the Board, has reviewed the adequacy of the Group's internal controls and systems to ensure that they are designed to provide reasonable assurance that assets are safeguarded, operational controls are in place, business risks are suitably managed, proper accounting records are maintained and the integrity of financial information used for business and publication are preserved.

The internal auditors conduct annual review of the effectiveness of the Group's key internal controls including financial, operational, compliance, information technology and sustainability risks management. The external auditors during the conduct of their normal audit procedures may also report on matters relating to internal control. Any material non-compliance and recommendation for improvements are reported to the Audit Committee. The Audit Committee also reviews and continues to monitor the effectiveness of the actions taken by the management on the recommendations made by the internal and external auditors in this respect.

Based on the work performed by the internal and external auditors, reviews of the findings from the internal and external auditors on the Group's internal controls and the Management's responses to the auditors' recommendations for improvement to the Group's internal controls and discussions with the auditors and Management. The Board, with the concurrence of the Audit Committee, is satisfied with the adequacy of the Group's internal controls, addressing financial, operational compliance controls, information technology and sustainability risks as at 31 December 2014 and that Management has taken efforts to minimise the risk of recurrence of such lapses.

The Board has received assurance from the CEO and CFO that the financial records of the Company have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and regarding the effectiveness of the Company's risk management and internal control systems.

The risk management is subject to the Audit Committee and no other dedicated committee will be set up. The Group has set up the risk management department to manage the risk of the Group. The risk management department is responsible for summarising the risk management results of each department and assessing the potential material risks confronting the Group according to the risk management program of the Group, formulating and implementing the risk management plan for the next year.

Audit Committee

The Audit Committee ("**AC**") comprises three Independent Directors and is chaired by Mr. Lim Yu Neng Paul. The other two members are Mr. Lee Kheng Joo and Ms. Cheng Fong Yee.

The Board considers that Mr. Lim Yu Neng Paul, who has extensive and practical financial management knowledge and experience, is well qualified to chair the AC.

The members of the AC, collectively, have recent and relevant accounting or related financial management expertise or experience to discharge the AC's responsibilities.

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The AC has explicit authority to investigate any matter within its terms of reference. It has full access to, and the co-operation of the Management and full discretion to invite any Director or any key executive to attend its meetings. The AC has adequate resources, including access to external auditors, to enable it to discharge its responsibilities properly.

The AC met five times in the financial year ended 31 December 2014 and all the other Directors are invited to attend the meetings.

The functions of the AC include:

(a) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Group and any announcements relating to the Group's financial performance;

(b) reviewing and reporting to the Board the adequacy and effectiveness of the Group's internal controls, comprising financial, operational, compliance and information technology controls, including procedures for entering into hedging transactions (such review can be carried out internally or with the assistance of any competent third parties);

(c) reviewing the effectiveness of the Group's internal audit function;

(d) reviewing the scope and results of the external audit, and the independence and objectivity of the external auditors;

(e) making recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;

(f) reviewing any interested person transactions as defined in the Listing Manual;

(g) reviewing potential conflicts of interest, if any, including reviewing and considering transactions in which there may be potential conflicts of interests between the Group and interested persons and recommend whether those who are in a position of conflict should abstain from participating in any discussions or deliberations of the Board or voting on resolutions of the Board of the Shareholders in relation to such transactions as well as to ensure that proper measures to mitigate such conflicts of interest have been put in place;

(h) reviewing the rectification measures and internal control measures relating to regulatory issues involving the Group's licences/permits/certificates etc;

(i) reviewing the investments in our customers, suppliers and competitors made by the Group Directors, Controlling Shareholders and their respective associates who are involved in management of the Group or have shareholding interests in similar or related business of the Group and make assessments on whether there are any potential conflicts of interests and ensuring that proper measures to mitigate such conflicts of interest have been put in place;

(j) reviewing the statements to be included in the annual report concerning the adequacy of internal controls, including financial, operational and compliance controls, and risk management systems;

(k) monitoring the implementation of outstanding internal control recommendations and/or observations highlighted by the external auditors in the course of their audit of the statutory financial statements;

(l) reviewing whistle-blowing investigations within the Group and ensuring appropriate follow-up action, if required;

Corporate Governance Report

(m) planning and overseeing the implementation of the measures in respect of the legal representatives of the PRC subsidiaries;

(n) undertaking such other reviews and projects as may be requested by the Board, and report to the Board its findings from time to time on matters arising and requiring the attention of the Audit Committee; and

(o) generally undertaking such other functions and duties as may be required by statute or the Listing Manual, or by such amendments as may be made thereto from time to time on a quarterly basis.

The AC meets with the internal auditors and external auditors separately, at least once a year, without the presence of the Management to review any matter that might be raised.

During the financial year under review, the AC has reviewed the volume of all non-audit services provided to the Group by the external auditors, KPMG LLP, and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. The AC is pleased to recommend their re-appointment.

The fee paid or payable to auditors is set out on page 105 of this Annual Report.

The AC is satisfied that the Company has complied with Rules 712 and 715 and/or 716 of the SGX-ST Listing Manual in relation to the appointment of its external auditors for FY-DEC2014.

The Company has put in place a whistle blowing policy (the "**Policy**") to provide an avenue to all Directors and employees to report any concern or complaint regarding financial reporting and questionable accounting practices; criminal offences, unlawful and/or unethical acts, fraud, corruption, bribery and blackmail; failure to comply with legal or regulatory obligations and concealment of any of the abovementioned issues.

During the financial year, there was no material whistle blowing report received by the AC regarding the abovementioned concerns.

An e-mail address is established to allow whistle blowers to contact the Chairman of the AC directly. All concerns or irregularities raised will be treated with confidence and every effort will be made to ensure that confidentiality is maintained throughout the process.

The AC is guided by the terms of reference which stipulate its principal functions.

The AC meets regularly with the Management and the external auditors to review auditing and risk management matters and discuss accounting implication of any major transactions including significant financial reporting issues. It also reviews the internal audit functions to ensure the adequacy and an effective system of control is maintained in the Group.

On a quarterly basis, the AC also reviews the interested person transactions and the financial results announcements before their submission to the Board for approval.

The AC is kept abreast by the Management and the external auditors of change to accounting standards, Listing Rules of the SGX-ST and other regulations which could have an impact on the Group's business and financial statements.

No former partners or Director of the Company's existing audit firm or audit corporation is a member of the AC.

Corporate Governance Report

Internal Audit

The objective of the internal audit function is to provide an independent review of the effectiveness of the Group's internal controls and provide reasonable assurance to the Audit Committee and the management that the Group's risk management, controls and governance processes are adequate and effective.

The AC approves the hiring, removal, evaluation and compensation of the internal auditors. For FY-DEC2014, the internal audit function of the Company was conducted by the internal auditors from the internal audit department of its holding company, China Everbright International Limited ("**IA**") to strengthen the internal audit function and promote sound risk management, including financial, operational, compliance, information technology controls, sustainability and good corporate governance. The IA reports primarily to the Chairman and member of the AC and has full access to the documents, records properties and personnel of the Company and of the Group.

The Board recognises that it is responsible for maintain a system of internal control to safeguard shareholders' investments and the Group's businesses and assets, while the Management is responsible for establishing and implementing the internal control procedures in a timely and appropriate manner.

IA's main scope of work covers the review and evaluation of processes and areas of concerns identified. IA assists management in enhancing existing risk management initiatives and carry out regular independent monitoring of key controls and procedures. The findings and recommendations in relation to the adequacy and effectiveness of internal controls and process improvements will be presented to the Audit Committee and the Management.

The AC is satisfied that the internal audit function has adequate resources to perform its functions effectively.

Material non-compliance and internal control weaknesses noted during reviews are reported together with recommended corrective actions to the Audit Committee on a regular basis. The results of the internal audit findings are also shared with the external auditors to assist them in their audit planning and also for them to perform further checks on the weak areas identified.

For FY2015, the internal audit function will be performed by the risk management department of the Company.

(D) ACCOUNTABILITY AND AUDIT

Shareholder Rights

To facilitate shareholders' ownership rights, the Company ensures that all material information is disclosed on a comprehensive, accurate and timely basis via SGXNET, especially information pertaining to the Group's business development and financial performance which could have a material impact on the share price of the Company, so as to enable shareholders to make informed decisions in respect of their investment in the Company.

Management supported the Code's principal to encourage shareholder participation. Shareholders are encouraged to attend the shareholders' meeting to ensure a high level of accountability and to stay informed of the Company's strategy and goals. Notices are despatched to shareholder, published in the Business Times as well as posted onto the SGXNET. The Board welcomes questions from shareholders who have an opportunity to raise issues either informally or formally before or at the shareholders' meeting.

The Company will be conducting poll voting for all resolutions to be passed in this forthcoming Annual General Meeting ("AGM"). The rules, including voting procedures will be explained by the Scrutineers in this meeting.

Whilst there is no limit imposed on the number of proxy votes for nominee companies, the Bye-Laws of the Company allow each shareholder to appoint up to two proxies to attend general meetings.

Corporate Governance Report

(E) COMMUNICATION WITH SHAREHOLDERS

In line with continuous disclosure obligations of the Company, and pursuant to the SGX-ST Listing Rules and Bermuda Companies' legislation, the Board ensures that shareholders are fully informed of all major developments that impact the Group.

Information is disseminated to the shareholders on a timely basis through:

(i) SGXNET announcements and press releases;

(ii) Annual Reports prepared and issued to all shareholders; and

(iii) Company's website at www.ebwater.com at which shareholders can access information on the Group.

The Company does not practice selective disclosure of material information. All materials on the quarterly, half-yearly and full year financial results and full year results briefing for media and analysts are available on the Company's website – www.ebwater.com.

The respective Board members will be available at the forthcoming Annual General Meeting to answer questions relating to the work of those sub-committees. The external auditors and lawyers will also be present to assist the Directors in addressing any relevant queries from the shareholders.

Our Management acknowledges that effective communication with investors is of paramount importance to the Group. In order to reinforce mutual understanding between shareholders and the Company, we have established and maintained a number of ways to strengthen our communication with investors.

Measures that the Company has taken are as follows:

(a) organise analyst briefings to explain our latest published financial information as well as to provide our business update when necessary;

(b) attend meetings/ telephone conferences requested by investors/ shareholders/ analysts on an ongoing basis throughout the year to assist them in understanding the latest updates relating to the Company;

(c) organise road shows for our investors/ potential investors. This may be done solely by ourselves or coordinated with investment bankers;

(d) organise plant visits by investors/ potential investors to our facilities; and

(e) ensure important information of the Group will be announced in a timely manner without delay.

All media and analyst briefings which normally conducted on a quarterly basis would be attended by directors and key executives.

The Group does not have a policy on payment of dividends at present. The Group has not declared dividends for the financial year FY-Dec2014 after taking into consideration of the Group's profit growth, cash position, positive cash flow, projected capital requirements for business growth and other factors as the Board may deem appropriate.

(F) CONDUCT OF SHAREHOLDERS MEETINGS

Shareholders are informed of shareholders' meetings through notices contained in annual reports or circulars sent to all shareholders. Theses notices are also published in the Business Times and posted onto the SGXNET.

Corporate Governance Report

If shareholders are unable to attend the meetings, the Bye-Laws allow a shareholder of the Company to appoint not more than two proxies to attend and vote instead of him.

Resolutions at general meetings are on each substantially separate issue. All the resolutions at the general meetings are single item resolutions.

The Chairman of the Audit, Remuneration and Nominating Committees are in attendance at the Company's AGM to address shareholders' questions relating to the work of these Committees.

The Company's external auditors, KPMG LLP, are also invited to attend the AGM and are available to assist the Directors in addressing any relevant queries by the shareholders relating to the conduct of the audit and the preparation and content of the auditors' report.

The Board views the AGM as the principal forum for dialogue with shareholders, being an opportunity for shareholders to raise issues pertaining to the resolutions tabled for approval and/or ask the Directors or the Management questions regarding the Company and its operations.

To have greater transparency in the voting process, with effect from the 2014 AGM, the Company has conducted the voting of all its resolutions by poll at all its AGM and SGMs. The detailed voting results of each of the resolutions tabled are announced immediately at the meeting. The total numbers of votes cast for or against the resolutions are also announced after the meeting via SGXNET.

(G) DEALINGS IN SECURITIES

In line with Listing Rule 1207(19) of the Listing Manual, the Group prohibits its Directors and employees from trading in the Company's securities on short-term considerations. In addition, the Group prohibits its Directors and employees from dealing in the Company's securities during the period beginning one month before the release of any financial results of the Group or if they are in possession of any unpublished material price-sensitive information relating to the Group.

In addition, Directors, employees and connected persons are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period.

(H) MATERIAL CONTRACTS

There are no material contracts of the Group involving the interests of any Directors or controlling shareholders subsisting at the end of the financial year ended 31 December 2014, or entered into since the end of the previous financial year.

(I) INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the Audit Committee and that transactions are conducted on arm's length basis and not prejudicial to the interests of the shareholders.

The Company does not have a general shareholders' mandate for recurrent interested person transaction. The Company confirms that there were no interested person transactions during the financial year under review.

Directors' Report

For the year ended 31 December 2014

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2014.

Directors

The directors in office at the date of this report are as follows:

Chen Xiaoping	(appointed on 12 December 2014)
Wang Tianyi	(appointed on 12 December 2014)
An Xuesong	(appointed on 12 December 2014)
Yang Zhiqiang	(appointed on 12 December 2014)
Chen Dawei	
Lim Yu Neng, Paul	
Cheng Fong Yee	
Lee Kheng Joo	
Chen Da Zhi	(resigned on 12 December 2014)
Lin Zhe Ying	(resigned on 12 December 2014)
Nie Jian Sheng	(resigned on 12 December 2014)
Yau Wing Yiu	(resigned on 12 December 2014)

Change of name

The Company changed its name from HanKore Environment Tech Group Limited to China Everbright Water Limited with effect from 12 December 2014.

Change of financial year-end

During the financial period, the Company changed its financial year end from 30 June to 31 December.

Directors' interests

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

Directors' Report

For the year ended 31 December 2014

Name of director and corporation in which interests are held	Holdings registered in the name of directors		Holdings in which directors are deemed to have an interest	
	As at 1/1/2014	As at 31/12/2014*	As at 1/1/2014*	As at 31/12/2014*
The Company				
Ordinary shares				
Chen Dawei	–	10,104,599	79,420,356	84,189,596
Lim Yu Neng, Paul	–	1,458,400	100,000	100,000
Cheng Fong Yee	–	822,266	–	–
Lee Kheng Joo	–	347,266	–	–

* *After shares consolidation on 27 May 2014*

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company or of related corporations, either at the beginning or at the end of the financial year.

Medium Term Note-Corporate Bond	Holdings registered in the name of directors	
	As at 1/7/2014	As at 31/12/2014
Chen Dawei	S$2,000,000	S$2,000,000
Yau Wing Yiu	S$1,000,000	S$1,000,000

Except for salaries, bonuses and fees and those benefits that are disclosed in this report and Note 28 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he/she is a member, or with a company in which he/she has a substantial financial interest.

Share options

Employee share option scheme

On 27 October 2011, the Company established an employee share option scheme (the "Scheme") that entitles key management personnel and controlling shareholders to purchase shares in the Company at an exercise price determined by the committee established to administer this share option programme ("ESOS Committee"), comprising of independent directors and two other directors (may be nominated by the board) of the Company.

Directors' Report

For the year ended 31 December 2014

Other information regarding the Scheme is as follows:

Options granted on 15 November 2013

- The exercise price of each option after shares consolidation is fixed at S$0.64.
- The share option shall be exercised, in whole or in part, from 16 November 2014 to 15 November 2023.
- All options are settled by physical delivery of shares.
- The options expire after 10 years.

At the end of the financial year, details of the options granted under the Scheme on unissued ordinary shares of the Company are as follows:

Date of grant of options	**Exercise price per share**	**Options outstanding at 1/7/2014**	**Options granted**	**Options exercised #**	**Options outstanding at 31/12/2014**
15/11/2013	S$0.64	36,508,617	–	(36,508,606)	–

 # An ESOS Committee resolution was passed to waive the 11 options due to the shares consolidation

Details of options granted to the directors of the Company and key management personnel are as follows:

Name of participant	**Options granted for the financial year ended 31/12/2014**	**Aggregate options granted since commencement of Scheme to 31/12/2014**	**Aggregate options exercised since commencement of Scheme to 31/12/2014**	**Aggregate options outstanding as at 31/12/2014**
Chen Dawei	6,211,773	6,211,773	(6,211,773)	–
Nie Jian Sheng	5,833,600	5,833,600	(5,833,600)	–
Lin Zhe Ying	3,889,067	3,889,067	(3,889,067)	–
Lim Yu Neng, Paul	1,458,400	1,458,400	(1,458,400)	–
Cheng Fong Yee	972,266	972,266	(972,266)	–
Yau Wing Yiu	5,347,467	5,347,467	(5,347,467)	–
Lee Kheng Joo	972,266	972,266	(972,266)	–
Wang Wei Dong	2,295,560	2,295,560	(2,295,560)	–
	26,980,399	26,980,399	(26,980,399)	–

Except as disclosed above and in the Warrants section below, there were no unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries as at the end of the financial year.

The options granted by the Company do not entitle the holders of the options, by virtue of such holding, to any rights to participate in any share issue of any other company.

Directors' Report

For the year ended 31 December 2014

Warrants

At the end of the financial year, details of the unissued ordinary shares of the Company under warrants are as follows:

Date of issue	Exercise price	Warrants outstanding at 1/7/2014	Warrants exercised	Warrants outstanding at 31/12/2014
26/4/2010	S$0.25	263,462	–	263,462

Each warrant entitles the warrant holder to subscribe for one ordinary share in the Company. The warrants do not entitle the holders of the warrants, by virtue of such holdings, to any rights to participate in any share issue of any other company.

As at the end of the financial year, except as reported above, no other warrants to take up unissued shares of the Company were granted and no shares were issued by virtue of the exercise of warrants to take up unissued shares of the Company.

Audit Committee

The members of the Audit Committee at the date of this report are as follows:

Lim Yu Neng, Paul (Chairman)
Lee Kheng Joo (Member)
Cheng Fong Yee (Member)

All members of the Audit Committee are independent and non-executive directors. The Audit Committee carried out its functions as required by the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual and the Code of Corporate Governance.

Based on the internal control established and maintained by the Group, the work performed by the internal and external auditors (to the extent as required by them to form an opinion on the financial statements), and the reviews conducted by management, the Audit Committee and the Board, with the concurrence of the Audit Committee, is of the opinion that the Group's internal controls addressing financial, operational and compliance risks were adequate as at the forthcoming Annual General Meeting of the Company.

The Audit Committee has held three meetings since the last directors' report. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the internal and external auditors;
- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

Directors' Report

For the year ended 31 December 2014

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

Auditors

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Chen Xiaoping
Non-Executive Director and Chairman

Wang Tianyi
Executive Director, Vice-Chairman and CEO

10 March 2015

Statement by Directors

For the year ended 31 December 2014

In our opinion:

(a) the financial statements set out on pages 45 to 129 are drawn up so as to present fairly, in all material respects, the state of affairs of the Group and of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Group for the year ended on that date in accordance with International Financial Reporting Standards; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors

Chen Xiaoping
Non-Executive Director and Chairman

Wang Tianyi
Executive Director, Vice-Chairman and CEO

10 March 2015

Independent Auditors' Report

Members of the Company
China Everbright Water Limited

Report on the financial statements

We have audited the accompanying financial statements of China Everbright Water Limited (the "Company") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2014, the consolidated statements of comprehensive income, changes in equity and cash flows of the Group for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information, as set out on pages 45 to 129.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable preparation of financial statements that are free from misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Report

Members of the Company
China Everbright Water Limited

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial positions of the Group and the Company as at 31 December 2014 and the Group's consolidated financial performance and consolidated cash flows for the year ended on that date in accordance with International Financial Reporting Standards.

Other matters

The financial statements of the Group for the year ended 31 December 2013 were audited by another audit firm whose report dated 30 May 2014 expressed an unqualified opinion on these financial statements in accordance with International Financial Reporting Standards.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
10 March 2015

Statements of Financial Position

As at 31 December 2014

	Note	Group 31 December 2014 HK$'000	Group 31 December 2013 HK$'000	Company 31 December 2014 HK$'000	Company 30 June 2014 HK$'000 (restated)	Company 1 July 2013 HK$'000 (restated)
Assets						
Property, plant and equipment	6	173,559	170,215	10	14	22
Intangible assets	7	950,594	148,043	–	–	–
Goodwill	8	1,043,545	9,538	–	–	–
Investment in subsidiaries	9	–	–	9,931,051	3,070,828	2,723,134
Other receivables	13	1,751,793	1,891,766	–	–	–
Financial receivables	11	4,483,539	2,149,181	–	–	–
Non-current assets		8,403,030	4,368,743	9,931,061	3,070,842	2,723,156
Inventories	12	28,912	7,162	–	–	–
Trade and other receivables	13	515,363	422,193	48,232	512	385
Financial receivables	11	483,143	298,234	–	–	–
Current tax assets		–	3,741	–	–	–
Cash and cash equivalents	14	681,101	290,413	103,109	36,728	316
Current assets		1,708,519	1,021,743	151,341	37,240	701
Total assets		10,111,549	5,390,486	10,082,402	3,108,082	2,723,857
Equity						
Share capital	15	2,549,345	–*	2,549,345	570,443	512,899
Reserves	16	3,776,135	1,648,887	7,159,784	2,187,143	2,145,629
Equity attributable to owners of the Company		6,325,480	1,648,887	9,709,129	2,757,586	2,658,528
Non-controlling interests		225,680	342,508	–	–	–
Total equity		6,551,160	1,991,395	9,709,129	2,757,586	2,658,528
Liabilities						
Borrowings	17	1,061,730	586,158	–	303,795	–
Deferred tax liabilities	18	828,977	305,503	–	–	–
Other financial liabilities	20	–	–	–	1,761	–
Other payables	19	264,325	1,587,389	–	–	–
Non-current liabilities		2,155,032	2,479,050	–	305,556	–
Borrowings	17	762,718	277,771	281,248	–	–
Trade and other payables	19	599,843	619,999	68,795	43,944	16,701
Other financial liabilities	20	23,230	–	23,230	996	48,628
Current tax liabilities		19,566	22,271	–	–	–
Current liabilities		1,405,357	920,041	373,273	44,940	65,329
Total liabilities		3,560,389	3,399,091	373,273	350,496	65,329
Total equity and liabilities		10,111,549	5,390,486	10,082,402	3,108,082	2,723,857

* The balance represents amounts less than HK$1,000.

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	Note	31 December 2014 HK$'000	31 December 2013 HK$'000
Revenue	22	1,050,755	1,290,740
Cost of sales		(454,284)	(761,478)
Gross profit		596,471	529,262
Other income	23	13,308	10,492
Administrative expenses		(77,639)	(65,714)
Other operating expenses		(9,115)	(84)
Results from operating activities		523,025	473,956
Finance income		2,022	6,798
Finance costs		(92,232)	(78,759)
Net finance cost	24	(90,210)	(71,961)
Profit before tax	25	432,815	401,995
Tax expense	26	(118,817)	(111,553)
Profit for the year		313,998	290,442
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss:			
- foreign currency translation differences		(104,205)	83,148
Total comprehensive income for the year		209,793	373,590
Profit attributable to:			
Owners of the Company		292,796	266,486
Non-controlling interests		21,202	23,956
Profit for the year		313,998	290,442
Total comprehensive income attributable to:			
Owners of the Company		194,909	340,697
Non-controlling interests		14,884	32,893
Total comprehensive income for the year		209,793	373,590
Earnings per share			
Basic earnings per share (HK$)	27	0.15	0.14
Diluted earnings per share (HK$)	27	0.15	0.14

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to owners of the Company							
	Share capital HK$'000	Share premium HK$'000	Foreign currency translation reserve HK$'000	Statutory reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 31 December 2012	–*	–	270,275	52,366	985,549	1,308,190	309,615	1,617,805
Total comprehensive income for the year								
Profit for the year	–	–	–	–	266,486	266,486	23,956	290,442
Other comprehensive income for the year								
Foreign currency translation differences	–	–	74,211	–	–	74,211	8,937	83,148
Transfer to reserve fund	–	–	–	19,613	(19,613)	–	–	–
Total comprehensive income for the year	–	–	74,211	19,613	246,873	340,697	32,893	373,590
Restated balance at 31 December 2013	–*	–	344,486	71,979	1,232,422	1,648,887	342,508	1,991,395

* The balance represents amount less than HK$1,000.

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Note	Attributable to owners of the Company								
		Share capital HK$'000	Share premium HK$'000	Foreign currency translation reserve HK$'000	Statutory reserve HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance as at 1 January 2014		–*	–	344,486	71,979	–	1,232,422	1,648,887	342,508	1,991,395
Total comprehensive income for the year										
Profit for the year		–	–	–	–	–	292,796	292,796	21,202	313,998
Other comprehensive income for the year										
Other comprehensive income for the year		–	–	(97,887)	–	–	–	(97,887)	(6,318)	(104,205)
Transfer to statutory reserve		–	–	–	23,020	–	(23,020)	–	–	–
Total comprehensive income for the year		–	–	(97,887)	23,020	–	269,776	194,909	14,884	209,793

* The balance represent amount less than HK$1,000.

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity (Cont'd)

For the year ended 31 December 2014

	Note	Attributable to owners of the Company								
		Share capital HK$'000	Share premium HK$'000	Foreign currency translation reserve HK$'000	Statutory reserve HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Transactions with owners, recognised directly in equity										
Contributions by and distributions to owners										
Capitalisation of shareholder's loan to equity		–	1,210,050	–	–	–	–	1,210,050	–	1,210,050
Increase in share capital relating to reserve takeover		1,940,269	–	–	–	–	–	1,940,269	–	1,940,269
Total contributions by and distribution to owners		1,940,269	1,210,050	–	–	–	–	3,150,319	–	3,150,319
Changes in ownership interests in subsidiaries										
Increase in ordinary shares relating to acquisition of additional interests in a subsidiary	15	–	–	19,972	–	(2,181)	–	17,791	(131,428)	(113,637)
Issue of ordinary shares relating to acquisition of subsidiaries		609,076	704,498	–	–	–	–	1,313,574	(284)	1,313,290
Total changes in ownership interests in subsidiaries		609,076	704,498	19,972	–	(2,181)	–	1,331,365	(131,712)	1,199,653
Total transactions with owners		2,549,345	1,914,548	19,972	–	(2,181)	–	4,481,684	(131,712)	4,349,972
At 31 December 2014		2,549,345	1,914,548	266,571	94,999	(2,181)	1,502,198	6,325,480	225,680	6,551,160

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Note	31 December 2014 HK$'000	31 December 2013 HK$'000
Cash flows from operating activities			
Profit before income tax		432,815	401,995
Adjustments for:			
Depreciation of property, plant and equipment		13,749	14,243
Amortisation of intangible assets		10,490	2,945
Loss on disposal of property, plant and equipment		–	84
Fair value loss on cross-currency swap		5,014	–
Effect of foreign exchange rates changes		2,855	(1,513)
Net finance costs		90,210	71,961
Operating cash flows before working capital changes		555,133	489,715
Changes in working capital:			
Inventories		(15,726)	1,244
Financial receivables		151,664	(210,678)
Trade and other receivables		36,914	(130,471)
Trade and other payables		(346,120)	149,573
Cash generated from operations		381,865	299,383
Income tax paid		(65,261)	(55,909)
Net cash from operating activities		316,604	243,474
Cash flows from investing activities			
Acquisition of associates, net of cash acquired		937	–
Acquisition of subsidiaries, net of cash acquired	33	430,598	–
Interest received		2,022	6,798
Purchase of property, plant and equipment		(3,432)	(12,290)
Net cash from/(used in) investing activities		430,125	(5,492)

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Note	31 December 2014 HK$'000	31 December 2013 HK$'000
Cash flows from financing activities			
Acquisition of additional interest in a subsidiary		(113,637)	–
Proceeds from bank borrowings		117,865	85,861
Repayment of bank borrowings		(266,619)	(313,611)
Interest paid		(92,232)	(78,759)
Increase in amount due to a fellow subsidiary		8,294	2,389
(Decrease)/Increase in amounts due to intermediate holding companies		(2,230)	133,563
Increase/(Decrease) in pledged bank balances		(139,422)	4,135
Net cash used in financing activities		(487,981)	(166,422)
Net increase in cash and cash equivalents		258,748	71,560
Cash and cash equivalents at beginning of the year		246,945	170,552
Effect of exchange rate fluctuations on cash and cash equivalents		(6,362)	4,833
Cash and cash equivalents at end of the year	14	499,331	246,945

Significant non-cash transactions

On 18 June 2014, 1 ordinary share of US$1 was allotted and issued at HK$8 to an intermediate holding company by capitalising the Group's indebtedness of HK$1,210,050,000 owing to the intermediate holding company (refer to Note 15(b)).

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2014

These notes form an integral part of the financial statements. The financial statements were authorised for issue by the Board of Directors on 10 March 2015.

1. Domicile and activities

The Company is incorporated in Bermuda as an exempt company with limited liability and is listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The registered address of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is at 26th FL, Tower A, Oriental New World Plaza, No. 1003 Shennan Boulevard, Futian District, Shenzhen City, People's Republic of China (中国广东省深圳市福田区深南大道1003号东方新天地广场A座26楼).

The financial statements of the Group as at and for the year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

The Group is primarily involved in the water treatment business in the People's Republic of China ("PRC").The principal activity of the Company is that of an investment holding company. The principal activities of its subsidiaries are set out in Note 9.

2. The reverse takeover

On 2 June 2014, the Company entered into a conditional sale and purchase agreement (the "Acquisition Agreement") with China Everbright Water Holdings Limited ("CEWHL" or the "Vendor") in respect of the acquisition of the shares of China Everbright Water Investments Limited ("CEWIL") by the Company from the Vendor for a consideration of RMB5,811,267,353 to be satisfied by the allotment and issue of 1,940,269,305 new shares to the Vendor.

The Acquisition resulted in a Reverse Takeover ("RTO") of the Company by China Everbright Water Holdings Limited, the Vendor, who holds approximately 78% of the shares and voting rights in the Company at the completion date on 12 December 2014.

After the Acquisition, China Everbright Water Holdings Limited and China Everbright International Limited, companies incorporated in the Hong Kong Special Administrative Region of the PRC ("Hong Kong") became the immediate and intermediate holding companies respectively. The ultimate holding company is Central Huijin Investment Limited, a company incorporated in the PRC. The ultimate controlling party is China Investment Corporation, a company incorporated in the PRC.

The enlarged group after the Acquisition comprises:

(i) China Everbright Water Limited (formerly known as HanKore Environment Tech Group Limited) and the subsidiaries; and

(ii) CEWIL and its subsidiaries (CEWIL Group).

Subsequent to the Acquisition, the Company announced the change of its financial year end from 30 June to 31 December to align its financial year with that of the holding company CEWHL. Accordingly, the financial statements of the Company for the current financial year cover the six months period from 1 July 2014 to 31 December 2014. The financial statements of the Company for the previous financial year were for a twelve months period from 1 July 2013 to 30 June 2014.

Notes to the Financial Statements

For the year ended 31 December 2014

2. The reverse takeover (cont'd)

At Group level

The Acquisition has been accounted as a RTO in accordance with IFRS 3 *Business Combinations*. The legal subsidiary, CEWIL, is regarded as the acquirer and the Company as the acquiree, for accounting purposes. As such, the consolidated financial statements have been prepared and presented as a continuation of CEWIL's consolidated financial statements. The comparative figures presented in these consolidated financial statements are that of the consolidated financial statements of the CEWIL for the financial year ended 31 December 2013.

3. Basis of preparation

3.1 Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS").

3.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

3.3 Functional and presentation currency

The functional currency of the Company is Chinese Renminbi ("RMB").

Change of presentation currency

Prior to the Acquisition, the presentation currency of the Company was RMB, which was also the Company's functional currency. After the acquisition, the Company changed its presentation currency to the Hong Kong Dollar ("HK$") to be consistent with that of CEWIL Group.

The change in presentation currency has been applied retrospectively by the Company. The comparative statement of financial position as at 30 June 2014 and 1 July 2013 which were primarily presented in RMB, has been restated using the exchange rate at the respective reporting dates.

Items included in the financial statements of each of the Group entities are measured using the currency of the primarily economic environment in which the entry operates ("functional currency"). The financial statements are presented in Hong Kong Dollars (HK$), which is the Company's presentation currency. All financial information presented in HK$ has been rounded to the nearest thousand, unless otherwise stated.

3.4 Use of judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

3. Basis of preparation (cont'd)

3.4 Use of judgements and estimates (cont'd)

Information about judgements made in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements and information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in Note 5.

4. Significant accounting policies

Except as set out in note 3.3, the accounting policies set out below have been applied consistently to all periods presented in these financial statements.

4.1 Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method, when control is transferred to the Group (see Note 4.1(iii)). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (see Note 4.10(ii)). Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities (see Note 4.3).

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

Notes to the Financial Statements

For the year ended 31 December 2014

4. Significant accounting policies (cont'd)

4.1 Basis of consolidation (cont'd)

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(iii) Reverse acquisition

As set out in Note 2, the Acquisition has been accounted for as a RTO with the legal subsidiary, CEWIL, regarded as the acquirer and the Company as the acquiree for accounting purposes.

These consolidated financial statements represent a continuation of the financial statements of CEWIL Group:

(a) the assets and liabilities of CEWIL Group are recognised and measured in the statement of financial position of the Group at their pre-acquisition carrying amounts;

(b) the accumulated profits and other equity balances recognised in the consolidated financial statements are the accumulated profits and other equity balances of CEWIL Group immediately before the business combination;

(c) the amount recognised as issued equity instruments in the consolidated financial statements is the issued equity of CEWIL Group immediately before the business combination (Note 2). However, the equity structure appearing in the consolidated financial statements (i.e. the number and type of equity instruments issued) reflect the equity structure of the Company, the legal parent, including the equity instruments issued by the Company in connection with the RTO; and

(d) the comparative figures presented in these consolidated financial statements are those of CEWIL Group.

Reverse acquisition accounting applies only in the consolidated financial statements.

(iv) Non-controlling interests

For each business combination, the Group elects to measure any non-controlling interests in the acquiree either:

- at fair value; or
- at their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

4. Significant accounting policies (cont'd)

4.1 Basis of consolidation (cont'd)

(iv) Non-controlling interests (cont'd)

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

(v) Loss of control

When the Group loses control over a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(vi) Investments in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity.

Investments in associates are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an investments in associates, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

(vii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(viii) Subsidiaries in the separate financial statements

Investments in subsidiaries are stated in the Company's statement of financial position at cost less accumulated impairment loss.

Notes to the Financial Statements

For the year ended 31 December 2014

4. Significant accounting policies (cont'd)

4.2 Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into HK$ at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into HK$ at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve, except to the extent that the translation difference is allocated to non-controlling interests.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

If the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, then foreign exchange differences arising from such item form part of a net investment in the foreign operation. Accordingly, such differences are recognised in other comprehensive income, accumulated in the translation reserve.

4.3 Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables on the date when they are originated. All other financial assets are initially recognised on the trade date.

4. Significant accounting policies (cont'd)

4.3 Financial instruments (cont'd)

(i) Non-derivative financial assets (cont'd)

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-financial assets into the loans and receivables category.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, trade and other receivables, and financial receivables arising from service concession arrangements.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits.

For the purpose of the statement of cash flows, restricted deposits are excluded whilst bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

Service concession arrangements

The Group recognises a financial asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction or upgrade services provided. Such financial assets are measured at fair value upon initial recognition. Subsequent to initial recognition, the financial assets are measured at amortised cost.

If the Group is paid for the construction services partly by a financial asset and partly by an intangible asset, then each component of the consideration is accounted for separately and is recognised initially at the fair value of the consideration (see also Note 4.5(ii)).

Notes to the Financial Statements

For the year ended 31 December 2014

4. Significant accounting policies (cont'd)

4.3 Financial instruments (cont'd)

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued on the date that they are originated. Financial liabilities for contingent consideration payable in a business combination are recognised at the acquisition date. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial liabilities for contingent consideration payable in a business combination are initially recognised at fair value. Subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise borrowings and trade and other payables.

(iii) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(iv) Derivative financial instruments

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

4.4 Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

4. Significant accounting policies (cont'd)

4.4 Property, plant and equipment (cont'd)

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Construction in progress is not depreciated.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use.

The estimated useful lives for the current and comparative years are as follows:

Buildings	25 years
Plant and machinery	5 to 10 years
Furniture and fixtures and office equipment	4 to 5 years
Motor vehicles	5 years
Leasehold improvements	4 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

4.5 Intangible assets and goodwill

(i) Goodwill

Goodwill is the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

Notes to the Financial Statements

For the year ended 31 December 2014

4. Significant accounting policies (cont'd)

4.5 Intangible assets and goodwill (cont'd)

(i) Goodwill (cont'd)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December 2014. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

(ii) Service concession arrangements

The Group recognises an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure. An intangible asset received as consideration for providing construction or upgrade services in a service concession arrangement is measured at fair value upon initial recognition by reference to the fair value of the services provided. Subsequent to initial recognition, the intangible asset is measured at cost, less accumulated amortisation and accumulated impairment losses.

(iii) Computer software

Acquired computer software licences are initially capitalised at cost which includes the purchase price and other directly attributable cost of preparing the asset for its intended use. Capitalised computer software licenses are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

(iv) Patents and trademarks

Patents and trademarks are measured at cost less any accumulated amortisation and impairment losses.

(v) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

4. Significant accounting policies (cont'd)

4.5 Intangible assets and goodwill (cont'd)

(vi) Amortisation

Amortisation is calculated to write-off the cost of intangible assets less their estimated residual values using the straight line method over their estimated useful lives, and is generally recognised in profit or loss. Goodwill is not amortised.

The estimated useful lives for the current and comparative years are as follows:

Concession rights	Over the service concession period of 25 to 32 years of the water/ waste-water treatment plants
Patents and trademarks	10 to 20 years
Computer software	5 years
Backlog contracts	3 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

4.6 Land use rights

Land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line method over the respective lease period of the land use rights, which range from 25 to 50 years.

4.7 Leased assets

Leases in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the Group's statement of financial position.

4.8 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in-first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

Notes to the Financial Statements

For the year ended 31 December 2014

4. Significant accounting policies (cont'd)

4.9 Construction contracts in progress

Construction contracts in progress represent the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at costs incurred plus profits recognised to date (see Note 4.13(i)) less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Construction contracts in progress is presented as part of inventories in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings and recognised losses. If progress billings and recognised losses exceed costs incurred plus recognised profits, the difference is presented as part of trade and other payables in the statement of financial position.

4.10 Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event(s) has occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor will enter bankruptcy, and adverse changes in the payment status of borrowers in the group.

Loans and receivables

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

4. Significant accounting policies (cont'd)

4.10 Impairment (cont'd)

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4.11 Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

4. Significant accounting policies (cont'd)

4.11 Employee benefits (cont'd)

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(iii) Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

4.12 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

4.13 Revenue

(i) Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. When the outcome of a construction contract can be estimated reliably, contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to survey of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

4. Significant accounting policies (cont'd)

4.13 Revenue (cont'd)

(ii) Service concession arrangements

Revenue relating to construction or upgrade services under a service concession arrangement is recognised based on the stage of completion of the work performed, consistent with the Group's accounting policy on recognising revenue on construction contract (see above). Operation or service revenue is recognised in the period in which the services are provided by the Group. When the Group provides more than one service in a service concession arrangement, the consideration received is allocated by reference to the relative fair values of the services delivered when the amounts are separately identifiable.

(iii) Discharge fees from waste-water treatment and recycling

Discharge fees from waste-water treatment and recycling are recognised based on volume of water and waste-water treated and are recognised in the period when the services are rendered.

(iv) Operation income from service concession arrangement

Revenue from operation services are recognised when the related services are rendered.

(v) Finance income from service concession arrangement

Finance income from service concession arrangement represents the interest income on the financial receivable arising from a service concession arrangement, and is recognised in profit or loss using the effective interest method.

4.14 Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant, and are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the periods in which the expenses are recognised.

4.15 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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For the year ended 31 December 2014

4. Significant accounting policies (cont'd)

4.16 Finance income and finance costs

Finance income comprises interest income on cash and cash equivalents held in banks. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings that are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

4.17 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

4. Significant accounting policies (cont'd)

4.17 Tax (cont'd)

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities, such changes to tax liabilities will impact tax expense in the period that such a determination is made.

4.18 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise warrants issued by the Company and share options granted to employees and directors.

4.19 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Executive Committee and the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Executive Committee include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

4.20 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these financial statements. Those which may be relevant to the Group are set out below. The Group does not plan for early adoption of these standards.

IFRS 9 *Financial Instruments (2014)*

IFRS 9 introduces new requirements for the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 introduces additional changes relating to financial liabilities, hedge accounting and the impairment requirements related to the accounting for expected credit losses on an entity's financial assets and commitments to extend credit. IFRS 9 is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is in the process of assessing the impact on the financial statements arising from the adoption of the Standard.

4. Significant accounting policies (cont'd)

4.20 New standards and interpretations not yet adopted (cont'd)

IFRS 15 *Revenue from Contracts with Customers*

The IASB issued IFRS 15 to replace IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and related interpretations.

The core principle of the new Standard is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. IFRS 15 is effective for annual periods beginning on or after 1 January 2017 with early adoption permitted. The adoption of the standard is not expected to have a significant impact on the Group's results and financial position.

5. Critical judgements, accounting estimates, and assumptions

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes judgements, estimates and assumptions concerning the future. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an ongoing basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual results may ultimately differ from these estimates.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Financial receivables and/or intangible assets under IFRIC 12 Service Concession Arrangements

The Group recognises the consideration received or receivable in exchange for the construction services as a financial receivable and/or an intangible asset under a service concession arrangement. However, if the Group is paid for the construction services partly by a financial asset and partly by an intangible asset, it is necessary to account separately for each component of the operator's consideration. The consideration received or receivable for both components shall be recognised initially at the fair value.

5. Critical judgements, accounting estimates, and assumptions (cont'd)

Key sources of estimation uncertainty (cont'd)

Financial receivables and/or intangible assets under IFRIC 12 Service Concession Arrangements (cont'd)

The segregation of the consideration for a service concession arrangement between the financial asset component and the intangible asset component, if any, requires the Group to make an estimate of a number of factors, which include, inter alia, fair value of the construction services, expected future water treatment volume of the relevant water treatment plant over its service concession period, future guaranteed receipts and unguaranteed receipts, and also to choose a suitable discount rate in order to calculate the present value of those cash flows. These estimates, including revenue recognition under the financial asset and intangible asset components are determined by the Group's management based on their experience and assessment on current and future market conditions. The carrying amounts of the intangible assets ("concession rights") and financial receivables at the end of the financial year are disclosed in Notes 7 and 11 respectively.

Impairment of subsidiaries

The Company assess at each reporting date whether there is any objective evidence that the investment in a subsidiary is impaired. To determine whether there is objective evidence of impairment, the Company considers factors such as the industry performance, technology changes, operational and financing cash flow. Management will also consider the financial conditions and business prospects of the investment.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on the forecasted performance of the subsidiary. The carrying amounts of the Company's investments in subsidiaries at the reporting date are disclosed in Note 9.

Impairment of goodwill

The Group has goodwill amounting to HK$1,043,545,000 after the RTO which has to be allocated to individual CGUs or to a group of CGUs that are expected to benefit from the synergies of the combination for impairment testing as disclosed in Note 4.10(ii). The group of CGUs to which goodwill has to be allocated should reflect the lowest level at which goodwill is monitored for internal reporting and the group of CGUs should not be larger than an operating segment. The level at which the goodwill is to be allocated is highly judgemental. The Group determined that the waste-water treatment segment comprising many water/waste-water treatment plants, represents the lowest level at which goodwill is monitored for internal reporting. Accordingly, the Group has allocated goodwill to the waste-water treatment segment for impairment testing purposes. The waste-water treatment segment to which goodwill has been allocated, is no larger than the waste-water treatment operating segment.

Impairment of non-financial assets other than investments in subsidiaries and goodwill

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of property, plant and equipment and intangibles (other than goodwill and concession rights) are disclosed in Notes 6 and 7.

Notes to the Financial Statements

For the year ended 31 December 2014

5. Critical judgements, accounting estimates, and assumptions (cont'd)

Key sources of estimation uncertainty (cont'd)

Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts of the Group's loans and receivables are disclosed in Notes 11, 13 and 14.

Fair values of financial instruments

Where the fair values of financial instruments recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values. The judgements include considerations of liquidity and model inputs regarding volatility and risk-free rates of return. The valuation of financial instruments is described in Note 32.

Percentage of completion of construction work

The Group recognises contract revenue by reference to the stage of completion of the contract activity at the end of reporting period. Significant assumptions are required to estimate the recoverable variation works that will affect the stage of completion. The Group reviews and revises the estimates in each construction contract as the contract progresses.

6 Property, plant and equipment

Group	Land and buildings HK$'000	Plant and machinery HK$'000	Leasehold improvement, furniture and fixtures HK$'000	Motor vehicles and office equipment HK$'000	Construction in progress HK$'000	Sub-total HK$'000	Interest in leasehold land held for own use under operating leases HK$'000	Total fixed assets HK$'000
Cost								
At 1 January 2013	61,490	16,613	4,467	41,862	87,361	211,793	8,137	219,930
Exchange adjustments	2,325	954	130	1,264	1,215	5,888	231	6,119
Additions	–	–	377	4,535	7,378	12,290	–	12,290
Disposals	–	–	(167)	(933)	–	(1,100)	–	(1,100)
Adjustments	–	(21,854)	–	–	–	(21,854)	–	(21,854)
Transferred from construction in progress	40,554	55,400	–	–	(95,954)	–	–	–
At 31 December 2013	104,369	51,113	4,807	46,728	–	207,017	8,368	215,385
Exchange adjustments	(2,685)	(1,315)	(120)	(1,213)	(255)	(5,588)	(215)	(5,803)
Additions arising from RTO	249	–	–	8,011	9,650	17,910	–	17,910
Additions from acquisition of subsidiary	–	–	175	439	–	614	–	614
Additions	–	28	815	2,589	–	3,432	–	3,432
Disposals	–	–	(1,381)	(1,926)	–	(3,307)	–	(3,307)
At 31 December 2014	101,933	49,826	4,296	54,628	9,395	220,078	8,153	228,231

Notes to the Financial Statements

For the year ended 31 December 2014

6 Property, plant and equipment (cont'd)

Group (cont'd)	Land and buildings HK$'000	Plant and machinery HK$'000	Leasehold improvement, furniture and fixtures HK$'000	Motor vehicles and office equipment HK$'000	Construction in progress HK$'000	Sub-total HK$'000	Interest in leasehold land held for own use under operating leases HK$'000	Total fixed assets HK$'000
Accumulated depreciation and amortisation								
At 1 January 2013	2,388	1,642	3,246	23,167	–	30,443	434	30,877
Exchange adjustments	128	87	97	737	–	1,049	17	1,066
Charge for the year	4,192	2,855	433	6,433	–	13,913	330	14,243
Written back on disposal	–	–	(167)	(849)	–	(1,016)	–	(1,016)
At 31 December 2013	6,708	4,584	3,609	29,488	–	44,389	781	45,170
Exchange adjustments	(217)	(151)	(85)	(901)	–	(1,354)	(21)	(1,375)
Write back on disposal	–	–	(1,367)	(1,504)	–	(2,871)	–	(2,871)
Charge for the year	4,419	3,218	557	5,225	–	13,419	329	13,748
At 31 December 2014	10,910	7,651	2,714	32,308	–	53,583	1,089	54,672
Net book value								
At 1 January 2013	59,102	14,971	1,221	18,695	87,361	181,350	7,703	189,053
At 31 December 2013	97,661	46,529	1,198	17,240	–	162,628	7,587	170,215
At 31 December 2014	91,023	42,175	1,582	22,320	9,395	166,495	7,064	173,559

Notes to the Financial Statements

For the year ended 31 December 2014

6 Property, plant and equipment (cont'd)

Company	Motor vehicles and office equipment HK$'000
Cost	
At 1 July 2013 (restated), 30 June 2014 (restated) and 31 December 2014	24
Accumulated depreciation	
At 1 July 2013 (restated)	2
Charge for the year	8
At 30 June 2014 (restated)	10
Charge for the year	4
At 31 December 2014	14
Carrying amounts	
At 1 July 2013 (restated)	22
At 30 June 2014 (restated)	14
At 31 December 2014	10

The analysis of carrying amounts of properties is as follows:

	2014 HK$'000	2013 HK$'000
In the PRC (outside Hong Kong):		
- medium-term leases	97,849	105,248
Representing:		
Land and buildings	90,784	97,661
Interest in leasehold land held for own use under operating leases	7,065	7,587
	97,849	105,248

7 Intangible assets

Group	Concession rights HK$'000	Patents and trademarks HK$'000	Computer software HK$'000	Backlog contracts HK$'000	Total HK$'000
Cost					
At 1 January 2013	148,918	–	–	–	148,918
Exchange adjustments	4,227	–	–	–	4,227
At 31 December 2013	153,145	–	–	–	153,145
Exchange adjustments	(8,298)	(162)	(7)	(188)	(8,655)
Additions	592	–	–	–	592
Acquisition of subsidiaries	181,599	27,683	1,107	–	210,389
Fair value adjustment	578,402	–	–	32,084	610,486
At 31 December 2014	905,440	27,521	1,100	31,896	965,957
Accumulated amortisation and impairment losses					
At 1 January 2013	813	–	–	–	813
Exchange adjustments	1,344	–	–	–	1,344
Charge for the year	2,945	–	–	–	2,945
At 31 December 2013	5,102	–	–	–	5,102
Amortisation for the year	9,141	379	79	891	10,490
Exchange adjustments	(218)	(3)	(1)	(7)	(229)
At 31 December 2014	14,025	376	78	884	15,363
Carrying amounts					
At 1 January 2013	148,105	–	–	–	148,105
At 31 December 2013	148,043	–	–	–	148,043
At 31 December 2014	891,415	27,145	1,022	31,012	950,594

Service concession arrangements

Concession rights relate to the Group's service concession arrangements. The significant aspects of the service concession arrangements are summarised as follows:

(a) The arrangements are concession arrangements for water/waste-water treatment plants with various local government authorities in the PRC under IFRIC 12 *Service Concession Arrangements*.

(b) The intangible assets of concession rights arose from two water/waste-water treatment plants located in different cities in the PRC. For these arrangements with concession periods ranging between 25 years to 32 years, the Group (the operator) receives the right to charge users a fee for using the services which the grantor collects and pays to the operator.

7 Intangible assets (cont'd)

Service concession arrangements (cont'd)

(c) All the water/waste-water treatment arrangements state the rights and obligations for the grantor and operator as follows:

(i) The operator has the obligation to treat the required amount of water/waste-water and also to ensure the treated water fulfills the standard quality requirements of the grantor.

(ii) The infrastructure including the plant and equipment, "know-how", operations manual, hand-over report, design of infrastructure and related documents, for the waste-water treatment plant will be transferred to the grantor or any grantor appointed agencies at the end of the concession period.

(iii) The arrangement is terminated only when a party breaches the contract or due to unforeseeable circumstances.

(iv) The operator has the obligation to maintain and restore the water/waste-water plant to its operational condition upon transferring to the grantor at the end of the concession period.

(d) The waste water treatment plants with intangible assets amounting to HK$168,296,000 (2013: Nil) as at 31 December 2014 were pledged to secure the loans taken up by the Group (Note 17).

8 Goodwill

	HK$'000
Cost	
At 1 January 2013 and 31 December 2013	9,538
Additions arising from RTO	1,039,436
Exchange adjustment	(5,429)
	1,043,545

As described in Note 2 of the financial statements, the Group completed the RTO of the Company on 12 December 2014. Goodwill arising from the RTO has been recognised as follows:

	31 December 2014 HK$'000
Total consideration transferred	3,282,982
Fair value of identifiable net assets	(2,243,546)
Goodwill	1,039,436

The goodwill arising from the RTO is attributable mainly to the expected synergies from combining operations of the acquiree and acquirer. None of the goodwill acquired is expected to be deductible for tax purposes.

Notes to the Financial Statements

For the year ended 31 December 2014

8 Goodwill (cont'd)

31 December 2014

Impairment testing of goodwill

For the purpose of impairment testing, goodwill has been allocated to the waste-water treatment segment.

The environmental water project construction and operation business was integrated into the waste-water treatment segment following the RTO. Accordingly, goodwill previously allocated to the environmental water project construction and operation business was reallocated to the waste-water treatment segment following the integration.

The recoverable amount of the waste-water treatment segment was based on fair value less costs of disposal.

The Group's testing approach included a comparison of its market capitalisation with the Group's net assets, which represented the net assets of the waste-water treatment segment. Under this approach, the market capitalisation is the fair value of the waste-water treatment segment. Costs of disposal were assessed as insignificant. The market capitalisation was categorised as a level 1 fair value measurement.

As a significant portion of the Group's net assets consisted of financial assets and liabilities which are accounted for under IAS 39, the Group also adjusted the market capitalisation to exclude the fair values of financial assets and liabilities as disclosed in Note 32 for the purpose of deriving the fair value of the non-financial assets in the waste-water treatment segment. The derived fair value was then compared with the carrying amount of non-financial assets (including goodwill) of the waste-water treatment segment. The Group considered the derived fair value to be a level 3 fair value measurement.

Under both approaches, the estimated recoverable amount exceeded the carrying amount and the Group concluded that the goodwill was not impaired.

31 December 2013

Goodwill is allocated to the Group's cash-generating units ("CGU") identified in relation to the environmental water project construction and operation business.

The recoverable amount of the respective CGU was determined based on its value in use. The value-in-use calculation utilised cash flow projections based on financial budgets approved by management covering a five year period. Discount rates of 10% to 12% have been used for the value-in-use calculation during the Relevant Periods. Management determined the budgets based on service agreements governing the relevant operations. The discount rates used are pre-tax and reflect specific risk relating to the relevant segment. No impairment was considered necessary at 31 December 2013.

Notes to the Financial Statements

For the year ended 31 December 2014

9 Investment in subsidiaries

	Company		
	31 December 2014 HK$'000	30 June 2014 HK$'000 (restated)	1 July 2013 HK$'000 (restated)
Unquoted equity instruments, at cost	356,459	358,559	328,875
Acquisition of subsidiaries	11,577,075	–	–
Impairment losses	(4,709,092)	(10,282)	–
	7,224,442	348,277	328,875
Amounts due from subsidiaries	2,706,609	2,722,551	2,394,259
	9,931,051	3,070,828	2,723,134

The amounts due from subsidiaries are unsecured, interest-free and for which settlement is neither planned nor likely to occur in the foreseeable future. As the amounts are in substance a part of the Company's net investment in subsidiaries, they are stated at cost less accumulated impairment losses.

The changes in impairment losses in respect of investments in subsidiaries during the year are as follows:

	Company	
	31 December 2014 HK$'000	30 June 2014 HK$'000 (restated)
At the beginning of the year	10,282	–
Impairment loss recognised	4,698,870	10,282
Exchange adjustments	(60)	–
At the end of the year	4,709,092	10,282

Notes to the Financial Statements

For the year ended 31 December 2014

9 Investment in subsidiaries (cont'd)

During the year, the Company performed an impairment review to assess the recoverable amount of the investment in CEWIL acquired in connection with the RTO. As the cost of investment of the subsidiary was assessed to be higher than the recoverable amount, an impairment test was performed. The estimate of the recoverable amount of the subsidiary was based on the valuations performed by two independent professional firms. Based on this assessment, an impairment loss of HK$4,698,870,000 (2013: HK$10,282,000) was recognised in the Company's profit or loss in relation to investment in the subsidiary.

Details of the significant subsidiaries at the end of the financial year are as follows:

Name of company	Principal activities	Principal place of business/ Country of incorporation	Ownership interest held by the Group	
			31 December 2014	31 December 2013
			%	%
Held by the Company				
China Everbright Water Investments Limited ("CEWIL")	Investment holding	British Virgin Islands ("BVI")	100	100
Ocean Force International Limited	Investment holding	BVI	100	100
Joyer International Ltd	Investment holding	BVI	100	100
Aqua Shine Group Limited	Investment holding	BVI	100	100
HanKore International Pte. Ltd.	Investment holding	Singapore	100	100
Held by China Everbright Water Investments Limited				
EB-VW HK Holding Company Limited ("EB-VW")	Investment holding	Hong Kong	100	60
Everbright Reusable Water Jiangyin Ltd*	Design, construction, operation and maintenance of reusable water treatment plant	PRC	100	100
Everbright Water (Boxing) Limited*	Design, construction, operation and maintenance of waste-water treatment plants	PRC	100	100

Notes to the Financial Statements

For the year ended 31 December 2014

9 Investment in subsidiaries (cont'd)

Name of company	Principal activities	Principal place of business/ Country of incorporation	Ownership interest held by the Group	
			31 December 2014 %	31 December 2013 %
Held by China Everbright Water Investments Limited (cont'd)				
Everbright Water (Dezhou) Holdings Limited	Investment holding	Hong Kong	100	100
Everbright Water (Dezhou) Limited*	Design, construction, operation and maintenance of waste-water treatment plants	PRC	100	100
Everbright Water (Jiangyin) Limited* ("EB Water Jianyin")	Design, construction, operation and maintenance of waste-water treatment plants	PRC	70	70
Everbright Water (Ji'nan) Holdings Limited	Investment holding	Hong Kong	100	100
Everbright Water (Ji'nan) Limited*	Design, construction, operation and maintenance of waste-water treatment plants	PRC	100	100
Everbright Water (Lingxian) Limited*	Design, construction, operation and maintenance of waste-water treatment plants	PRC	100	100
Everbright Water (Wuxi) Holdings Limited*	Investment holding	Hong Kong	100	100
Everbright Water (Xinyi) Limited*	Design, construction, operation and maintenance of waste-water treatment plants and surface water treatment plant	PRC	100	100
Everbright Water (Xuzhou) Holdings Limited*	Investment holding	Hong Kong	100	100

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For the year ended 31 December 2014

9 Investment in subsidiaries (cont'd)

Name of company	Principal activities	Principal place of business/ Country of incorporation	Ownership interest held by the Group 31 December 2014 %	31 December 2013 %
Held by China Everbright Water Investments Limited (cont'd)				
Everbright Water (Zhangqiu) Limited*	Design, construction, operation and maintenance of waste-water treatment plants	PRC	100	100
Everbright Water (Zibo) Holdings Limited	Investment holding	Hong Kong	100	100
Everbright Water (Zibo) Limited*	Design, construction, operation and maintenance of waste-water treatment plants and reusable water treatment plant	PRC	100	100
Everbright Water (Zibo Zhoucun) Water Purification Co., Ltd.*	Design, construction, operation and maintenance of waste-water treatment plants	PRC	100	100
Qingdao EB-VW Waste Water Treatment Co., Ltd.#	Construction, operation and maintenance of waste-water treatment plants	PRC	100	60
Qingdao Everbright Water Company Limited	Operation of waste-water treatment plants	PRC	100	–
Zibo Everbright Water Energy Development Company Limited*	Design, construction, operation and maintenance of waste-water source heat pump plants.	PRC	100	100

Notes to the Financial Statements

For the year ended 31 December 2014

9 Investment in subsidiaries (cont'd)

Name of company	Principal activities	Principal place of business/ Country of incorporation	Ownership interest held by the Group	
			31 December 2014	31 December 2013
			%	%
Held by China Everbright Water Investments Limited (cont'd)				
Everbright Water (Jinan Licheng) Limited*	Design, construction, operation and maintenance of waste-water treatment plants and reusable water treatment plant	PRC	100	100
Held by Joyer International Ltd				
Beijing Hankelin Environmenta Technology Co., Ltd	Investment holding and provision of management service	PRC	100	100
Sanmenxia HanKore Co., Ltd	Construction and operation of waste-water treatment plant for provision of waste-water treatment services	PRC	100	100
Beijing Bio-Treat Water Co., Ltd	Construction and operation of waste-water treatment plant for provision of waste-water treatment services	PRC	100	100
Suzhou Jin Di Water Co., Ltd	Construction and operation of waste-water treatment plant for provision of waste-water treatment services	PRC	100	100
Nanjing Jin Huan Water Development Co., Ltd	Construction and operation of waste-water treatment plant for provision of waste-water treatment services	PRC	100	100

9 Investment in subsidiaries (cont'd)

Name of company	Principal activities	Principal place of business/ Country of incorporation	Ownership interest held by the Group	
			31 December 2014	31 December 2013
			%	%
Held by Joyer International Ltd (cont'd)				
Binzhou Jin Di Co., Ltd	Construction and operation of waste-water treatment plant for provision of waste-water treatment services	PRC	100	100
Liquan HanKore Water Co., Ltd	Construction and operation of waste-water treatment plant for provision of waste-water treatment services	PRC	100	100
Beijing Hankesen Environmental Technology Co., Ltd	Provide environment protection technologies, research and development of environmental protection products, consultancy and development services of waste-water treatment technologies	PRC	100	100
Held by Ocean Force International Limited				
Xianyang Bai Sheng Shui Purifying Co., Ltd	Construction and operation of waste-water treatment plant for provision of waste-water treatment services	PRC	100	100
Lianyungang King Fortune Water Co., Ltd	Construction and operation of waste-water treatment plant for provision of waste-water treatment services	PRC	100	100

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9 Investment in subsidiaries (cont'd)

Name of company	Principal activities	Principal place of business/ Country of incorporation	Ownership interest held by the Group 31 December 2014 %	31 December 2013 %
Held by Ocean Force International Limited (cont'd)				
Suqian City Cheng Bei Wastewater Treatment Co., Ltd	Dormant	PRC	100	100
Suqian City Cheng Bei Water Treatment Co., Ltd	Dormant	PRC	100	100
Kunshan Gang Dong Wastewater Treatment Co., Ltd	Construction and operation of waste-water treatment plant for provision of waste-water treatment services	PRC	100	100
Nanjing Golden Idea Water Development Co., Ltd	Construction and operation of waste-water treatment plant for provision of waste-water treatment services	PRC	100	100
Yangzhou HanKore Water Development Co., Ltd	Construction and operation of waste-water treatment plant for provision of waste-water treatment services	PRC	100	100
Held by Aqua Shine Group Limited				
Jiangsu Tongyong Environment Engineering Co., Ltd	Engineering, procurement and construction of equipment production, provision of equipment installation and design and construction of water treatment engineering	PRC	100	100

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9 Investment in subsidiaries (cont'd)

Name of company	Principal activities	Principal place of business/ Country of incorporation	Ownership interest held by the Group 31 December 2014 %	31 December 2013 %
Held by Aqua Shine Group Limited (cont'd)				
Victor Best Holding Ltd	Investment holding	BVI	100	100
Tianjin Hanquan Environment Technology Limited	Investment holding	PRC	100	100

* *Registered under the laws of the PRC as foreign investment enterprise.*

\# *Registered under the laws of the PRC as sino-foreign co-operation joint ventures.*

All significant subsidiaries are audited by KPMG Hong Kong for group consolidation purpose. For this purpose, a subsidiary is considered significant as defined under the Singapore Exchange Limited Listing Manual if its net tangible assets represent 20% or more of the Group's consolidated net tangible assets, or if its pre-tax profits account for 20% or more of the Group's consolidated pre-tax profits.

10 Investment in associate

	31 December 2014 HK$'000	31 December 2013 HK$'000
Share of net assets	–	–

10 Investment in associate (cont'd)

The following list contains the particulars of the associate, which is an unlisted corporate entity whose quoted market price is not available.

Name of associate	Form of business structure	Place of establishment and operation	Group's effective interest 31 December 2014	Group's effective interest 31 December 2013	Principal activity
Qingdao Everbright Water Company Limited ("Qingdao Everbright") (Formerly known as Qingdao Veolia Water Operating Company Limited)	Established	PRC	–	21%	Operation of waste-water treatment plants

During the year ended 31 December 2014, the Group acquired an additional 79% equity interest in Qingdao Everbright and Qingdao Everbright became a wholly-owned subsidiary (see note 9). Qingdao EB-VW Waste Water Treatment Co., Ltd. ("Qingdao EB-VW"), a subsidiary of the Group, subcontracted to Qingdao Everbright the provision of operation and maintenance services for the waste-water treatment plants in Qingdao.

Summarised financial information of the associate, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	31 December 2014 HK$'000	31 December 2013 HK$'000
Gross amounts of the associate's		
Current assets	–	16,172
Non-current assets	–	749
Current liabilities	–	(18,748)
Equity	–	(1,827)
Revenue	–	81,433
Profit for the year (Note)	–	2,559
Other comprehensive income	–	(194)
Total comprehensive income	–	2,365
Reconciled to the Group's interest in the associate		
Gross amounts of net liabilities of the associate	–	(1,827)
Group's effective interest	–	21%
Group's share of net assets of the associate (Note)	–	–
Carrying amount in consolidated financial statements	–	–

Note: As at 31 December 2013, the Group's share of accumulated loss of Qingdao Everbright exceeds the Group's interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued.

11 Financial receivables

	31 December 2014 HK$'000	31 December 2013 HK$'000
Non-current	4,483,539	2,149,181
Current	483,143	298,234
	4,966,682	2,447,415

The significant aspects of the service concession arrangements are summarised as follows:

(a) The subsidiaries of the Group entered into service concession arrangements with the local government authorities (the "grantors") for water/waste-water treatment plants which are located in the PRC for concession periods ranging between 25 years to 32 years. Pursuant to the service concession arrangements, the Group has to design, construct and/or upgrade, operate and maintain waste-water treatment plants in the PRC. The Group has the obligation to maintain the waste water treatment plants in good condition. The grantors guarantee the Group will receive minimum annual payments in connection with the arrangements. Upon expiry of the concession periods, the waste-water treatment plants and the related facilities will be transferred to the grantors.

The service concession arrangements do not contain renewal options. The standard rights of the grantors to terminate include failure of the Group to construct, upgrade or operate the waste water treatment plants and in the event of a material breach of the terms of the agreements. The standards rights of the Group to terminate the agreements include failure to receive payments for waste-water treatment service from the grantors and in the event of a material breach of the terms of the agreements.

(b) The waste-water treatment plants with financial receivables amounting to HK$393,394,000 (2013: Nil) as at 31 December 2014 are pledged to secure the loans taken up by the Group (Note 17).

12 Inventories

	Group	
	31 December 2014 HK$'000	31 December 2013 HK$'000
At cost:		
Raw materials and consumables	28,912	7,162

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13 Trade and other receivables

	Group		Company		
	31 December 2014	31 December 2013	31 December 2014	30 June 2014	1 July 2013
	HK$'000	HK$'000	HK$'000	HK$'000 (restated)	HK$'000 (restated)
Non-current					
Other receivables	16,096	–	–	–	–
Other receivables (TOT)	1,735,697	1,721,439	–	–	–
Amounts due from intermediate holding companies	–	170,327	–	–	–
	1,751,793	1,891,766	–	–	–
Current					
Trade receivables	241,941	143,238	–	–	–
Loan receivables	–	51,156	–	–	–
Other receivables	32,311	47,453	–	–	–
Other receivables (TOT)	184,190	180,037	–	–	–
Amounts due from intermediate holding companies	–	193	–	–	–
Amounts due from fellow subsidiaries	–	116	47,723	–	–
Sundry deposits	7,096	–	–	–	–
Prepayments	49,825	–	509	512	385
	515,363	422,193	48,232	512	385
Total	2,267,156	2,313,959	48,232	512	385

Included in "trade receivables" of the Group are debtors of HK$135,808,000 (2013: HK$143,238,000) of which HK$35,134,000 (2013: HK$53,153,000) are due from a non-controlling shareholder and HK$10,734,000 (2013: HK$10,979,000) are due from a related company respectively as at 31 December 2014 and 2013. Debtors represent revenue from operation services. There was no recent history of default in respect of the Group's debtors. Since most of the debtors are local government authorities in the PRC and based on past experience, management believes that no impairment allowance is necessary in respect of the past due balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances. No impairment loss was recognised by the Group at 31 December 2014 and 2013.

13 Trade and other receivables (cont'd)

The amounts due from intermediate holding companies are unsecured, interest free and not expected to be settled within one year, except for an amount of HK$193,000 as at 31 December 2013 which was recoverable on demand.

The amounts due from fellow subsidiaries are unsecured, interest free and recoverable on demand.

The loan receivable as at 31 December 2013 amounting to HK$51,156 was unsecured, interest-bearing at 11% per annum, due from an unrelated party and due for repayment in January 2014.

All of the current portion of the above balances are expected to be recovered or recognised as expense within one year.

Trade receivables are non-interest bearing and are generally on 30 to 90 days terms.

The amount due from a related party is non-trade in nature, unsecured, interest-free and repayable on demand.

Included in other receivables is a consideration receivable of HK$36 million (2013: Nil) as at 31 December 2014 due from third parties arising from disposals of service concession rights held by the Suqian plants.

Included in prepayments is an advance made to a financial institution amounting to HK$14,951,000 (2013: Nil) for the final instalment for a loan which matures on 10 June 2017.

Other receivables (Transfer-Operate-Transfer ("TOT"))

Other receivables (TOT) totalling HK$1,919,887,000 (2013: HK$1,901,476,000) which bear interest at rates ranging from 5.94% to 7.83% (2013: 5.94% to 7.83%) per annum and represent the considerations paid for the acquisition of waste-water treatment plants under TOT arrangements, among which HK$208,120,000 (2013: HK$208,120,000) are due from a non-controlling shareholder and HK$505,981,000 (2013: HK$513,433,000) are due from a related company respectively as at 31 December 2014 and 2013. The amounts are not yet due for payment and will be settled by revenue to be generated during the operating periods of the TOT arrangements. No impairment loss was recognised by the Group at 31 December 2014 and 2013.

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14 Cash and cash equivalents

	Group		Company		
	31 December 2014 HK$'000	31 December 2013 HK$'000	31 December 2014 HK$'000	30 June 2014 HK$'000 (restated)	1 July 2013 HK$'000 (restated)
Cash on hand and bank balances	499,331	246,945	99,449	36,728	316
Short-term deposits	181,770	43,468	3,660	–	–
	681,101	290,413	103,109	36,728	316

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprised:

	Group	
	31 December 2014 HK$'000	31 December 2013 HK$'000
Cash and cash equivalents	681,101	290,413
Less: Restricted bank balances	(181,770)	(43,468)
	499,331	246,945

The restricted bank balances relate to bank deposits pledged to banks for borrowings (Note 17) and bill payables.

15 Share capital

	Note	Group				Company					
		31 December 2014		1 January 2014		31 December 2014		30 June 2014		1 July 2013	
		No. of ordinary shares ('000)	HK$'000	No. of ordinary shares ('000)	HK$'000	No. of ordinary shares ('000)	HK$'000	No. of ordinary shares ('000)	HK$'000	No. of ordinary shares ('000)	HK$'000
Authorised share capital:											
At the beginning of the year		1,500,000	842,394	50	388	1,500,000	842,394	15,000,000	842,394	6,000,000	842,394
Shares consolidation	15(a)	–	–	–	–	–	–	(13,500,000)	–	–	–
Increase in authorised share capital		–	–	–	–	–	–	–	–	9,000,000	–
At the end of the year		1,500,000	842,394	50	388	1,500,000	842,394	1,500,000	842,394	15,000,000	842,394
Ordinary shares of HK$1.00 each, issued and fully paid:											
At the beginning of the year		–*	–*	–*	–*	510,483	570,443	4,528,085	512,899	4,161,824	476,300
Issue of ordinary shares	15(b)	–*	–*	–	–	–	–	293,617	29,281	–	–
Issue of shares relating to business combination		–	–	–	–	–	–	180,000	18,030	360,000	35,963
Issue of ordinary shares for exercise of warrants before shares consolidation	20	–	–	–	–	–	–	89,324	8,863	6,262	636
Shares consolidation	15(a)	–	–	–	–	–	–	(4,581,924)	–	–	–
Issue of ordinary shares for exercise of warrants after shares consolidation	20	–	–	–	–	–	–	1,381	1,370	–	–
Issue of employee shares options		–	–	–	–	36,509	38,633	–	–	–	–
Issue of ordinary shares relating to acquisition of subsidiaries		546,992	609,076	–	–	–	–	–	–	–	–
Issue of ordinary shares relating to reverse takeover	33	1,940,269	1,940,269	–	–	1,940,269	1,940,269	–	–	–	–
At the end of the year		2,487,261	2,549,345	–*	–*	2,487,261	2,549,345	510,483	570,443	4,528,086	512,899

* The balance represent amount less than HK$1,000 or 1,000 shares

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15 Share capital (cont'd)

(a) Shares consolidation

On 27 May 2014, the Company consolidated every ten (10) existing ordinary shares of par value of HK$0.10 each in the capital of the Company into one (1) ordinary share of the Company of par value of HK$1.00 each.

(b) Issue of ordinary shares

The Group
On 18 June 2014, 1 ordinary share of US$1 was allotted and issued at HK$8 to an intermediate holding company, China Everbright Environmental Protection Holdings Limited ("CEEPH"), by capitalising the Group's indebtedness of HK$1,210,050,000 owing to CEEPH and crediting HK$1,210,049,992 to the share premium account.

The Company
On 1 August 2013, the Company issued 293,617,000 ordinary shares of par value of HK$0.10 each at S$0.05 per share for a net cash consideration of HK$89,548,000 (approximately S$14,680,000) and the premium of HK$60,186,300 was credited to the share premium account.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per ordinary share at meetings. All shares rank equally with regard to the Company's residual assets.

16 Reserves

	Group		Company		
	31 December 2014 HK$'000	31 December 2013 HK$'000	31 December 2014 HK$'000	30 June 2014 HK$'000 (restated)	1 July 2013 HK$'000 (restated)
Share premium	1,914,548	–	11,584,834	1,778,811	1,526,948
Foreign currency translation reserve	266,571	344,486	(59,686)	–	–
Statutory reserve	94,999	71,979	–	–	–
Other reserves	(2,181)	–	64,953	41,223	–
Retained earnings	1,502,198	1,232,422	(4,430,317)	367,109	618,681
	3,776,135	1,648,887	7,159,784	2,187,143	2,145,629

(a) Share premium

The share premium account may be applied only for the purposes specified in the Companies Act 1981 of Bermuda.

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16 Reserves (cont'd)

(b) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(c) Statutory reserve

In accordance with the Foreign Enterprise Law applicable to the subsidiaries in the PRC, wholly-owned subsidiaries are required to make appropriation to a statutory reserve. At least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the statutory reserve until the cumulative total of the reserve reaches 50% of the subsidiaries' registered capital. Subject to approval from the relevant PRC authorities, the statutory reserve may be used to offset any accumulated losses or increase the registered capital of the subsidiaries. The statutory reserve is not available for dividend distribution to shareholders of the PRC subsidiaries.

(d) Other reserves

Other reserves comprise share option reserve, capital reserve and other reserves.

17 Borrowings

	Group		Company		
	31 December 2014 HK$'000	31 December 2013 HK$'000	31 December 2014 HK$'000	30 June 2014 HK$'000 (restated)	1 July 2013 HK$'000 (restated)
Non-current					
Bank borrowings	1,061,730	586,158	–	–	–
Notes payable	–	–	–	303,795	–
	1,061,730	586,158	–	303,795	–
Current					
Bank borrowings	481,622	277,771	281,248	–	–
Notes payables	281,096	–	–	–	–
	762,718	277,771	281,248	–	–
Total	1,824,448	863,929	281,248	303,795	–
Repayable:					
- within 1 year	754,022	277,771	281,248	–	–
- after 1 year but within 5 years	812,677	570,811	–	303,795	–
- after 5 years	257,749	15,347	–	–	–
	1,824,448	863,929	281,248	303,795	–

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17 Borrowings (cont'd)

Terms and debt repayment schedule

Terms and conditions of outstanding borrowings are as follows:

	Currency	Year of maturity	Nominal interest rate per annum	Face value HK$'000	Carrying amount HK$'000
Group					
31 December 2014					
Secured bank borrowings					
- floating interest rate	RMB	2017 – 2020	90% to 130% of PBOC rate*	669,492	669,492
- fixed interest rate	RMB	2017	6.65%	370,383	370,383
Unsecured bank borrowings					
- floating interest rate	RMB	2015 – 2023	100% to 130% of PBOC rate*	284,661	284,661
- fixed interest rate	RMB	2015	2.89%	218,664	281,664
Unsecured notes payable					
- fixed interest rate	SGD	2015	7.50%	281,248	281,248
				1,824,448	1,824,448
31 December 2013					
Secured bank borrowings					
- floating interest rate	RMB	2017 to 2019	90% to 110% of PBOC rate*	660,968	660,968
Unsecured bank borrowings					
- floating interest rate	RMB	2013 to 2023	95% to 100% of PBOC rate*	202,961	202,961
				863,929	863,929
Company					
31 December 2014					
Unsecured notes payable					
- fixed interest rate	SGD	2015	7.50%	281,248	281,248
30 June 2014					
Unsecured notes payable					
- fixed interest rate	SGD	2015	7.50%	303,795	303,795

* PBOC rate denotes the People's Bank of China base lending rates. The prevailing rates range from 5.60% to 6.55% as at 31 December 2014 and 2013 respectively.

17 Borrowings (cont'd)

The secured bank borrowings of the Group were secured over financial receivables and intangible assets arising from service concession arrangements as disclosed in notes 7 and 11 respectively.

The following secured bank borrowings of the Group were guaranteed by the parties as follows:

	31 December 2014 HK$'000
A former subsidiary – Golden Idea Bio-Engineering (Dongguan) Co., Ltd.	19,312
A corporate shareholder of the Company (formerly majority shareholder of Jiangsu Tongyong Environment Engineering Co., Ltd)	15,475
	34,787

Subsidiaries, with bank borrowings totalling HK$53,725,000 (2013: Nil) as at 31 December 2014 are restricted from declaring or paying dividends to shareholders until the loans are fully repaid. The subsidiaries do not have distributable reserves as at 31 December 2014.

Receipts from trade receivables from the operations of certain waste-water treatment plants are to be processed through certain financial institutions. The bank borrowings of these subsidiaries amounted to HK$484,824,000 (2013: Nil) as at 31 December 2014.

The waste-water treatment plants of subsidiaries, with bank borrowings totalling HK$42,660,891 as at 31 December 2014 (2013: Nil) respectively, are restricted to be pledged or assigned to third parties.

Unsecured fixed rate notes payable

On 24 July 2013, the Company established the S$300 million multicurrency medium term note programme (the "MTN"). As at 31 December 2014, S$50 million of unsecured fixed rate notes were issued under the MTN. The unsecured fixed rate notes payable are redeemable at their principal amount on the maturity date in August 2015.

31 December 2013

Certain banking facilities of the Group are secured by certain revenue, receivables and intangible assets in connection with the Group's service concession arrangements, bank deposits and fixed assets of the Group. Such banking facilities of HK$1,491,500,000 (2013: HK$1,226,578,000) as at 31 December 2014 and 2013 were utilised.

At 31 December 2014, the unsecured banking facilities, amounting to HK$196,245,000 (2013: HK$202,961,000) respectively, were fully utilised. All of the non-current interest-bearing borrowings are carried at amortised costs. None of the non-current interest-bearing borrowings is expected to be settled within one year.

17 Borrowings (cont'd)

Unsecured fixed rate notes payable (cont'd)

31 December 2013 (cont'd)

Banking facilities of HK$171,948,000 (2013: HK$619,563,000) are subject to the fulfilment of covenants relating to certain of the Group's financial ratios as at 31 December 2014 and 2013 respectively. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. At 31 December 2014, such facilities were fully utilised. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in Note 31(d). As at 31 December 2014, none of the covenants relating to drawn down facilities had been breached.

Included in "Bank loans" are the following loans from a related party bank:

	31 December 2014 HK$'000	31 December 2013 HK$'000
Loans from a related party bank	84,105	110,881

The loans from a related party bank as at 31 December 2014 and 2013 are unsecured, bear interest at rates announced by the People's Bank of China and will be settled by annual equal instalment until 2018.

18 Deferred tax liabilities

	Group	
	31 December 2014 HK$'000	31 December 2013 HK$'000
Deferred tax liabilities	828,977	305,503

18 Deferred tax liabilities (cont'd)

Movement in temporary differences during the year

	Note	Service concession arrangements and intangible assets HK$'000	Others HK$'000	Total HK$'000
Group				
At 1 January 2013		195,562	49,561	245,123
Exchange Adjustments		6,085	1,624	7,709
Recognised in profit or loss	26	37,470	15,201	52,671
At 31 December 2013/ 1 January 2014		239,117	66,386	305,503
Recognised in profit or loss	26	41,621	10,459	52,080
Exchange Adjustments		(6,550)	(1,814)	(8,364)
Acquisition of Subsidiaries		479,758	–	479,758
At 31 December 2014		753,946	75,031	828,977

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom.

	Group	
	31 December 2014 HK$'000	31 December 2013 HK$'000
Tax losses expiring within 1 year	21,566	12,360
Tax losses expiring after 1 year but within 5 years	66,157	87,714
	87,723	100,074

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19 Trade and other payables

	Group		Company		
	31 December 2014 HK$'000	31 December 2013 HK$'000	31 December 2014 HK$'000	30 June 2014 HK$'000 (restated)	1 July 2013 HK$'000 (restated)
Non-current					
Amount due to fellow subsidiaries	167,555	–	–	–	–
Amounts due to intermediate holding companies (note 15(b))	80,920	1,587,389	–	–	–
Other creditors	15,850	–	–	–	–
	264,325	1,587,389	–	–	–
Current					
Trade payables					
- third parties	193,421	201,237	–	–	–
- fellow subsidiaries	–	179,765	–	–	–
Amount due to fellow subsidiaries	1,220	164,727	43,241	29,647	2,310
Amount due to intermediate holding companies	157,011	–	–	–	–
Accrued expenses	134,026	74,270	17,999	10,457	13,455
Other creditors	114,165	–	7,555	3,840	936
	599,843	619,999	68,795	43,944	16,701
	864,168	2,207,388	68,795	43,944	16,701

As at 31 December 2014, other creditors comprise a guarantee deposit of HK$31,471,000 (2013: HK$31,728,000) by a director of a subsidiary.

Bill payables are interest-free and are secured by bank deposits (Note 14).

Included in trade payables of the Group is an amount of HK$25,355,000 which is payable to an associate as at 31 December 2013. The balance is due within one month and represents service fee for operation of waste-water treatment plants.

Apart from the above, trade payables totalling HK$79,752,000 (2013: HK$349,025,000) represent construction payables for the Group's Build-Transfer, Build-Operate-Transfer and certain Build-Own-Operate arrangements as at 31 December 2014 and 2013, out of which HK$1,246,000 (2013: HK$1,279,000) is due to non-controlling shareholders respectively. The construction payables are not yet due for payment.

19 Trade and other payables (cont'd)

Included in the amounts due to the intermediate holding companies are balances of HK$56,000,000 and HK$49,840,000 which bear interest at HIBOR+2.5% and 93% of the rates announced by the People's Bank of China respectively as at 31 December 2014, out of which HK$24,920,000 is repayable within one year and HK$80,920,000 is repayable by 2017. The remaining amounts due to the intermediate holding companies are unsecured, interest free and have no fixed terms of repayment. As at 31 December 2013, the intermediate holding companies have agreed not to seek repayment of the amounts within twelve months from the balance sheet date and accordingly, the amounts are classified as non-current.

The amounts due to fellow subsidiaries (including trade payables to fellow subsidiaries) are unsecured and interest free except for HK$167,555,000 (2013: HK$151,583,000) which bears interest at 100% (2013: 120%) of the rates announced by the People's Bank of China as at 31 December 2014 and 2013. Trade payables to fellow subsidiaries are repayable in accordance with contract terms. Amounts due to fellow subsidiaries which are not trade in nature are repayable on demand except for HK$167,555,000 as at 31 December 2014 which is repayable by 2017.

20 Other financial liabilities

		Group		Company		
	Note	31 December 2014 HK$'000	31 December 2013 HK$'000	31 December 2014 HK$'000	30 June 2014 HK$'000 (restated)	1 July 2013 HK$'000 (restated)
Non-current						
Financial liabilities carried at fair value through profit or loss						
- Cross-currency swap	(a)	–	–	–	1,761	–
- Warrants	(b)	–	–	–	–	–
		–	–	–	1,761	–
Current						
Financial liabilities carried at fair value through profit or loss						
- Cross-currency swap	(a)	22,239	–	22,239	–	–
- Warrants	(b)	991	–	991	996	4,890
- Contingent consideration payable	(c)	–	–	–	–	43,738
		23,230	–	23,230	996	48,628
Total		23,230	–	23,230	2,757	48,628

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20 Other financial liabilities (cont'd)

(a) Cross-currency swap

On 19 September 2013, the Group had entered into a cross-currency swap with a financial institution. The swap will be settled in August 2015, where the Group will pay SGD50,000,000 and receive an agreed amount of USD40,176,778.

(b) Warrants

	Group		Company	
	31 December 2014 HK$'000	31 December 2013 HK$'000	31 December 2014 HK$'000	30 June 2014 HK$'000 (restated)
Financial liabilities, warrants				
At the beginning of the year	996	–	996	4,890
Exercise of warrants	–	–	–	(47,119)
Exchange adjustments	(5)	–	(5)	–
Net changes in fair value	–	–	–	43,225
At the end of the year	991	–	991	996

		Group and Company		
	Note	31 December 2014 HK$'000	30 June 2014 HK$'000 (restated)	1 July 2013 HK$'000 (restated)
It consists of the following:				
- CB Warrants	(i)	991	996	2,086
- PWGL Warrants	(ii)	–	–	993
- GHDL Warrants	(iii)	–	–	1,811
		991	996	4,890

(i) In prior year, the Company issued and defaulted on the convertible bonds. As part of the settlement agreed with the convertible bondholders ("CB Holders"), 75,198,000 warrants ("CB Warrants") were issued to the CB Holders. Each warrant can be exercised at an exercise price of S$0.025 for one ordinary share at par value of HK$0.10 each anytime. The exercise period for the warrants is from 26 April 2010 to 26 April 2015. The fair value of CB Warrants is HK$991,000.

20 Other financial liabilities (cont'd)

(b) Warrants (cont'd)

(ii) In prior years, 31,631,598 warrants ("PWGL Warrants") were issued to PWGL as part of the PWGL settlement. Each warrant can be exercised at an exercise price of S$0.04 for one ordinary share at par value of HK$0.10 each anytime. The exercise period for the warrants is from 27 April 2011 to 27 April 2014. The PWGL Warrants was fully exercised during the financial period 30 June 2014.

(iii) In prior years, 57,692,402 warrants ("GDHL Warrants") were issued to GDHL as part of GDHL subscription. Each warrant can be exercised at an exercise price of S$0.04 for one ordinary share at par value of HK$0.10 each anytime. The exercise period for the warrants is from 27 April 2011 to 27 April 2014. The GDHL Warrants was fully exercised during the financial period 30 June 2014.

(iv) On 18 October 2013, the PWGL Warrant holder had exercised its rights to convert all PWGL Warrants into 31,631,598 ordinary shares of the Company (the "31,631,598 Ordinary Shares") at the exercise price of S$0.04 for each ordinary share. The 31,631,598 Ordinary Shares had been issued and allotted on 28 October 2013.

(v) On 30 October 2013, the GDHL Warrant holder had exercised its rights to convert 8,000,000 GDHL Warrants into 8,000,000 ordinary shares of the Company (the "8,000,000 Ordinary Shares") at the exercise price of S$0.04 for each ordinary share. The 8,000,000 Ordinary Shares had been issued and allotted on 7 November 2013.

(vi) On 29 November 2013, the GDHL Warrant holder had exercised its rights to convert 2,000,000 GDHL Warrants into 2,000,000 ordinary shares of the Company (the "2,000,000 Ordinary Shares") at the exercise price of S$0.04 for each ordinary share. The 2,000,000 Ordinary Shares had been issued and allotted on 6 December 2013.

(vii) On 19 March 2014, the GDHL Warrant holder had exercised its rights to convert 47,692,402 warrants into 47,692,402 ordinary shares of the Company (the "47,692,402 Ordinary Shares") at the exercise price of S$0.04 for each ordinary share. The 47,692,402 Ordinary Shares had been issued and allotted on 24 March 2014.

(viii) On 30 May 2014, the CB Warrant holder had exercised its rights to convert 1,380,717 warrants into 1,380,717 ordinary shares of the Company (the "1,380,717 Ordinary Shares") at the exercise price of S$0.25 for each ordinary share. The 1,380,717 Ordinary Shares had been issued and allotted on 3 June 2014.

The number of shares and exercise prices stated in Note (i) to (vii) were prior to the shares consolidation exercise (Note 15(a)).

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For the year ended 31 December 2014

20 Other financial liabilities (cont'd)

(b) Warrants (cont'd)

Fair value of warrants

The fair value of the warrants is estimated at the respective reporting dates, using the Binomial Valuation model. The following table lists the inputs to the option pricing model:

	Group and Company		
	CB Warrants	**PWGL Warrants**	**GDHL Warrants**
31 December 2014			
Number of warrants outstanding*	263,462	–	–
Risk-free rate (% p.a.)	0.5%	–	–
Exercise price (S$)*	S$0.25	–	–
Underlying share price (S$)*	S$1.00	–	–
Years of maturity (years)	1 year	–	–
Dividend yield (% p.a.)	–	–	–
Volatility (%)	31.4%	–	–

	Company		
	CB Warrants	**PWGL Warrants**	**GDHL Warrants**
30 June 2014			
Number of warrants outstanding *	263,462	–	–
Risk-free rate (% p.a.)	0.33%	–	–
Exercise price (S$) *	S$0.25	–	–
Underlying share price (S$) *	S$0.86	–	–
Years of maturity (years)	1 year	–	–
Dividend yield (% p.a.)	–	–	–
Volatility (%)	62.8%	–	–
1 July 2013			
Number of warrants outstanding	16,441,796	31,631,598	57,692,402
Risk-free rate (% p.a.)	0.22%	0.29%	0.18%
Exercise price (S$)	S$0.25	S$0.04	S$0.04
Underlying share price (S$)	S$0.04	S$0.04	S$0.04
Years of maturity (years)	2 year	1 year	1 year
Dividend yield (% p.a.)	–	–	–
Volatility (%)	30.8%	42.2%	42.2%

* Refer to shares consolidation (Note 15(a)).

Notes to the Financial Statements

For the year ended 31 December 2014

21 Share-based payment arrangements

Employee share option scheme

On 27 October 2011, the Company established an employee share option scheme (the "Scheme") that entitles key management personnel and controlling shareholders to purchase shares in the Company at an exercise price determined by the committee established to administer this share option scheme ("ESOS Committee").

Pursuant to the Listing Manual of Singapore Exchange Securities Trading Limited ("Listing Manual"):

(i) The aggregate number of shares in respect of which options may be granted on any date under the Scheme, when added to the number of shares issued and issuable in respect of all options granted under the Scheme, shall not exceed 15% of the total number of issued shares of the Company excluding treasury shares from time to time.

(ii) The aggregate number of shares available to controlling shareholders and their associates must not exceed 25% of the shares available under the Scheme and the number of shares available to each controlling shareholder and his associate must not exceed 10% of the shares available under the Scheme.

(iii) The aggregate number of shares available to directors and employees of the Company and its subsidiaries must not exceed 20% of the shares available under the Scheme.

Under the Scheme, the exercise price of options ("Exercise Price") granted will be determined by the ESOS Committee, in its absolute discretion, on the grant date at:

(i) a price equal to the market price; or

(ii) a price which is set at a discount to the market price, provided that the maximum discount shall not exceed 20% of the market price as required by the rules prescribed by the Listing Manual; and the shareholders of the Company in general meeting shall have authorised, in a separate resolution, the making of offers and grants of options under the Scheme at a discount not exceeding the maximum discount as aforesaid.

All options granted are to be settled by physical delivery of shares.

Options granted under the Scheme shall, to the extent unexercised, immediately lapse and become null and void and the option holder shall have no claim against the Company:

(i) upon the option holder (excluding the controlling shareholder) ceasing to be in the employment of the Group, subject to other rules with the absolute discretion of the ESOS Committee; or

(ii) upon the bankruptcy of the option holder or the happening of any other event which result in his being deprived of the legal or beneficial ownership of such option; or

(iii) in the event of misconduct on the part of the option holder, as determined by the ESOS Committee at its absolute discretion.

On 15 November 2013, the Group granted 365,086,178 share options to certain key management personnel and certain employees. The exercise period for the granted share options is from 16 November 2014 to 15 November 2023. These share options have been fully exercised as at 31 December 2014.

Notes to the Financial Statements

For the year ended 31 December 2014

22 Revenue

	Group	
	31 December 2014 HK$'000	31 December 2013 HK$'000
Construction services from service concession arrangement	106,528	449,779
Finance income from service concession arrangement	310,715	276,189
Operation income from service concession arrangement	625,069	564,772
Construction contract revenue	5,551	–
Discharge fees from waste-water treatment and recycling	2,892	–
	1,050,755	1,290,740

23 Other income

	Group	
	31 December 2014 HK$'000	31 December 2013 HK$'000
Government grant	3,747	2,786
Sundry income	9,561	7,706
	13,308	10,492

24 Net finance cost

	Group	
	31 December 2014 HK$'000	31 December 2013 HK$'000
Finance income		
Interest income from lending to a related party	(252)	–
Interest income on bank deposits	(1,770)	(6,798)
	(2,022)	(6,798)
Finance costs		
Interest expense on:		
- bank borrowings	69,746	59,982
- notes payable	2,449	–
- fellow subsidiary	20,037	18,777
	92,232	78,759
Net finance cost	90,210	71,961

Notes to the Financial Statements

For the year ended 31 December 2014

25 Profit before tax

	Group	
	31 December 2014 HK$'000	31 December 2013 HK$'000
Included in cost of sales:		
- amortisation of intangible assets	9,141	2,945
Included in administrative expenses:		
- amortisation of intangible assets	1,349	–
- depreciation on property, plant and equipment	13,749	14,243
Included in other operating expenses:		
- fair value loss on cross-currency swap	5,014	–
- foreign exchange loss/(gain), net	2,855	(1,513)
Staff costs:		
- wages and salaries	65,273	60,688
- defined contribution plans	15,089	7,593
- welfare and other benefits	5,458	–
Audit fees paid to auditor of the Company	1,458	–
Fees paid to other auditors		
- audit fees	1,458	1,384
- audit related fees	2,521	–
- non-audit fees	1,201	–

26 Tax expense

	Group	
	31 December 2014 HK$'000	31 December 2013 HK$'000
Current tax expense:		
Current year	70,155	57,342
(Over)/Under provision in prior years	(3,418)	1,540
	66,737	58,882
Deferred tax expense:		
Movements in temporary differences	52,080	52,671
Total tax expense	118,817	111,553

26 Tax expense (cont'd)

The Group's tax assessable profits were entirely derived by the operations of the Group's subsidiaries in the PRC.

No provision for Singapore and Hong Kong income tax were made as the Group did not earn any income subject to Singapore and Hong Kong income tax during 2014 and 2013.

Pursuant to the rules and regulations of the British Virgin Islands and Bahamas, the Group is not subject to any income tax in these jurisdiction in 2014 and 2013.

Taxation for the PRC operations is charged at the statutory rate of 25% of the assessable profits under taxation ruling of the PRC. During 2014 and 2013, certain PRC subsidiaries are subject to tax at 50% of the standard rates or fully exempt from income tax under the relevant tax rules and regulations.

Reconciliation of effective tax rate

	Group	
	31 December 2014 HK$'000	**31 December 2013 HK$'000**
Profit before tax	432,815	401,995
Tax calculated at tax rate of 25% (2013: 25%)	108,203	100,499
Effect of tax rates in foreign jurisdictions	5,255	–
Tax concession	(8,875)	(8,440)
Non-taxable income	(3,667)	(1,570)
Non-deductible expenses	8,166	4,323
Current year losses for which no deferred tax is recognised	2,694	–
(Over)/Under provision in prior years	(3,418)	1,540
Withholding tax on undistributed profits of PRC subsidiaries	10,459	15,201
	118,817	111,553

Notes to the Financial Statements

For the year ended 31 December 2014

27 Earnings per share

(a) Basic/Diluted earnings per share

Basic earnings per share is calculated on the Group's profit for the year attributable to equity holders of the Company divided by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	31 December 2014 HK$'000	**31 December 2013 HK$'000**
Profit for the year attributable to equity holders of the Company	292,796	266,486
Weighted average number of ordinary shares outstanding during the year* ('000)	1,968,743	1,940,269
Basic earnings per share (HK$)	0.15	0.14

* The weighted average number of shares used for the purpose of calculating basic earnings per share for the year ended 31 December 2013 is calculated on the basis of the number of Consideration Shares issued pursuant to the RTO to acquire CEWIL as detailed in Note 2 and the weighted average number of shares of CEWIL in issue.

The weighted average number of shares used for the purpose of calculating basic earnings per share for the year ended 31 December 2014 is calculated on the basis of the number of Consideration Shares issued pursuant to the RTO to acquire CEWIL and the weighted average number of shares of the Company in issue during the year.

28 Related party transactions

During the financial year, other than those disclosed elsewhere in the financial statements, the Group had significant transactions with related parties on terms agreed between the parties as follows:

Compensation of directors and key management personnel

	Group	
	31 December 2014 HK$'000	**31 December 2013 HK$'000**
Salaries, bonus and related benefits	842	–
Directors' fees	76	–
Defined contribution plans	3	–
	921	–
Comprised amounts paid/payable to:		
Directors of the Company	506	–
Other key management personnel	415	–
	921	–

28 Related party transactions (cont'd)

Compensation of directors and key management personnel (cont'd)

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions.

(a) The Group entered into the following related party transactions with a related party bank:

	Group	
	31 December 2014 HK$'000	31 December 2013 HK$'000
Interest expense	7,073	7,968

(b) The Group entered into the following related party transactions with a subsidiary (2013: an associate):

	Group	
	31 December 2014 HK$'000	31 December 2013 HK$'000
Service expense for operation of waste-water treatment plants	31,185	57,549

(c) The Group entered into the following related party transactions with a non-controlling shareholder of the Group:

	Group	
	31 December 2014 HK$'000	31 December 2013 HK$'000
Revenue from operation services	55,292	89,300
Finance income	26,753	27,710

Notes to the Financial Statements

For the year ended 31 December 2014

28 Related party transactions (cont'd)

Compensation of directors and key management personnel (cont'd)

(d) The Group entered into the following related party transactions with a related company and subsidiaries of non-controlling shareholders of the Group:

	Group	
	31 December 2014 HK$'000	31 December 2013 HK$'000
Revenue from operating services	56,161	47,900
Finance income	52,596	53,468
Technical service expense	–	1,325

(e) The Group entered into the following related party transactions with fellow subsidiaries:

	Group	
	31 December 2014 HK$'000	31 December 2013 HK$'000
Construction management and consultancy fee expense	18,567	117,356
Operating service fee expense	–	7,981

29 Commitments

(i) Capital commitments

The Group has the following commitments as at the reporting date:

	Group	
	31 December 2014 HK$'000	31 December 2013 HK$'000
Capital expenditure on purchase of property, plant and equipment and construction of plants:		
- contracted but not provided for in the financial statements	308,667	33,553

29 Commitments (cont'd)

(ii) Operating lease commitments

At the reporting date, the Group had entered into several operating lease commitments for office premises and staff accommodation. These leases do not contain renewal options and there were no restrictions placed upon the Group by entering into these leases. At the reporting date, the future minimum lease payables under these non-cancellable operating leases are as follows:

	Group	
	31 December 2014 HK$'000	**31 December 2013 HK$'000**
Within 1 year	4,930	111
After 1 year but within 5 years	3,533	–
	8,463	111

Financial guarantees issued

As at 31 December 2014, there were no outstanding financial guarantees.

As at 31 December 2013, the Group has issued financial guarantees to a fellow subsidiary in relation to banking facilities granted to the fellow subsidiary of HK$447,615,000 respectively. The directors do not consider it is probable that a claim will be made against the Company under the guarantees. The maximum liability of the Group under the guarantee issued is the facility drawn down by the fellow subsidiary of HK$196,951,000 as at 31 December 2013 respectively.

Due to the related party nature of the instruments, the directors considered it is not practicable to estimate the fair values of the financial guarantees and therefore they have not been recognised in the consolidated financial statements.

30 Segment information

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Executive Committee and the Board of Directors for the purpose of resource allocation and performance assessment.

Revenue reported below represents revenue generated from external customers and inter-segment revenue.

The accounting policies of the reportable segments are disclosed in Note 4.19. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and expense, interest-bearing borrowings and related expenses and income and deferred taxes. No operating segments have been aggregated to form the following reportable operating segments.

30 Segment information (cont'd)

Business segments

The following summary describes the operations in each of the Group's reportable segments for the years ended 31 December 2013 and 31 December 2014:

- Waste-water treatment – Design, engineering, construction, operation and maintenance of local government authorities' water and waste-water treatment plants.

Years ended 31 December 2013 and 2014

There is only one reportable segment as the Group's operations relate to water treatment business.

Geographical segments

The Group operates predominantly in the PRC. All non-current assets are located in the PRC.

Customer segments

No single individual customer contributed significantly to the Group's revenue.

31 Financial management

The Group's and Company's activities exposed it to a variety of financial risks such as market risk (including interest rate risk and currency risk), credit risk and liquidity risk. The Group's and Company's overall risk management strategy, which remain unchanged from prior year, seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance. The Group and Company continually monitor the risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's and Company's activities.

The Board is responsible for setting the objectives and underlying principles of financial risk management for the Group and Company. The Board will review and agree on policies for managing each of these risks as summarised below.

(a) Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's and Company's exposures to interest rate risk relates primarily to the Group's interest-bearing assets and liabilities. The Group does not enter into interest rate swaps to manage its interest rate risk. These exposures are managed partly by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities.

The table below sets out the Group's and Company's exposure to interest rate risks. Included in the table are the assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

31 Financial management (cont'd)

(a) Interest rate risk (cont'd)

	Variable rates			Fixed rates			Non-interest bearing	Total
	Within 1 year	1 to 5 years	After 5 years	Within 1 year	1 to 5 years	After 5 years		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Group								
31 December 2014								
Assets								
Financial receivables	–	–	–	–	–	–	4,966,682	4,966,682
Trade and other receivables*	–	–	–	184,190	1,735,697	–	297,444	2,217,331
Cash and cash equivalents	681,101	–	–	–	–	–	–	681,101
Total financial assets	681,101	–	–	184,190	1,735,697	–	5,264,126	7,865,114
Liabilities								
Borrowings	(200,900)	(564,819)	(239,040)	(553,122)	(247,858)	(18,709)	–	(1,824,448)
Trade and other payables	(24,920)	(248,473)	–	–	–	–	(590,775)	(864,168)
Other financial liabilities	–	–	–	–	–	–	(23,230)	(23,230)
Total financial liabilities	(225,820)	(813,292)	(239,040)	(553,122)	(247,858)	(18,709)	(614,005)	(2,711,846)
Net financial assets/ (liabilities)	455,281	(813,292)	(239,040)	(368,932)	1,487,839	(18,709)	4,650,121	5,153,268
31 December 2013								
Assets								
Financial receivables	–	–	–	–	–	–	2,447,415	2,447,415
Trade and other receivables*	–	–	–	231,193	1,891,766	–	191,000	2,313,959
Cash and cash equivalents	290,413	–	–	–	–	–	–	290,413
Total financial assets	290,413	–	–	231,193	1,891,766	–	2,638,415	5,051,787
Liabilities								
Borrowings	(277,771)	(570,811)	(15,347)	–	–	–	–	(863,929)
Trade and other payables	(92,200)	–	–	–	–	–	(2,115,188)	(2,207,388)
Total financial liabilities	(369,971)	(570,811)	(15,347)	–	–	–	(2,115,188)	(3,071,317)
Net financial (liabilities)/assets	(79,558)	(570,811)	(15,347)	231,193	1,891,766	–	523,227	1,980,470

* Excludes prepayments

Notes to the Financial Statements

For the year ended 31 December 2014

31 Financial management (cont'd)

(a) Interest rate risk (cont'd)

	Variable rates			Fixed rates			Non-interest bearing	Total
	Within 1 year HK$'000	1 to 5 years HK$'000	After 5 years HK$'000	Within 1 year HK$'000	1 to 5 years HK$'000	After 5 years HK$'000	HK$'000	HK$'000
Company								
31 December 2014								
Assets								
Cash and cash equivalents	103,109	–	–	–	–	–	–	103,109
Amount due from fellow subsidiaries	–	–	–	–	–	–	47,723	47,723
Total financial assets	103,109	–	–	–	–	–	47,723	150,832
Liabilities								
Borrowings	–	–	–	(281,248)	–	–	–	(281,248)
Trade and other payables	–	–	–	–	–	–	(68,795)	(68,795)
Other financial liabilities	–	–	–	–	–	–	(23,230)	(23,230)
Total financial liabilities	–	–	–	(281,248)	–	–	(92,025)	(373,273)
Net financial assets/ (liabilities)	103,109	–	–	(281,248)	–	–	(44,302)	(222,441)
30 June 2014 (restated)								
Assets								
Cash and cash equivalents	36,728	–	–	–	–	–	–	36,728
Total financial assets	36,728	–	–	–	–	–	–	36,728
Liabilities								
Borrowings	–	–	–	–	(303,795)	–	–	(303,795)
Trade and other payables	–	–	–	–	–	–	(43,944)	(43,944)
Other financial liabilities	–	–	–	–	–	–	(2,757)	(2,757)
Total financial liabilities	–	–	–	–	(303,795)	–	(46,701)	(350,496)
Net financial assets/ (liabilities)	36,728	–	–	–	(303,795)	–	(46,701)	(313,768)

Notes to the Financial Statements

For the year ended 31 December 2014

31 Financial management (cont'd)

(a) Interest rate risk (cont'd)

	Variable rates			Fixed rates			Non-	
	Within 1 year	1 to 5 years	After 5 years	Within 1 year	1 to 5 years	After 5 years	interest bearing	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Company								
1 July 2013 (restated)								
Assets								
Cash and cash equivalents	316	–	–	–	–	–	–	316
Total financial assets	316	–	–	–	–	–	–	316
Liabilities								
Trade and other payables	–	–	–	–	–	–	(16,701)	(16,701)
Other financial liabilities	–	–	–	–	–	–	(48,628)	(48,628)
Total financial liabilities	–	–	–	–	–	–	(65,329)	(65,329)
Net financial assets/ (liabilities)	316	–	–	–	–	–	(65,329)	(65,013)

Sensitivity analysis

A change of 100 basis points in interest rate for the Group's and the Company's variable borrowings rate would (decrease)/increase the Group's and the Company's profit before tax by the amounts as shown below. This analysis assumes that all other variables, in particular foreign currency and tax rates, remain constant.

	Group		Company	
	31 December 2014	31 December 2013	31 December 2014	June 2014
	HK$'000	HK$'000	HK$'000	HK$'000
Floating rate instruments:				
- 100 basis points increase	(51,533)	(19,805)	2,224	3,138
- 100 basis points decrease	51,533	19,805	(2,224)	(3,138)

31 Financial management (cont'd)

(b) Foreign currency risk

Foreign currency risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group and the Company is exposed to foreign currency risk when transactions such as expenses and borrowings are denominated in currencies other than RMB. The currencies giving rise to this risk are primarily Singapore dollar ("SGD"), Hong Kong dollar ("HK$") and United States dollar ("USD").

The Company entered into a USD/SGD cross-currency swap with a financial institution on 19 September 2013. On the initial exchange date, being 25 September 2013, the Company received USD28,766,582 in exchange for SGD35,800,000. On maturity, being 1 August 2015, the Group will receive SGD50,000,000 in exchange for USD40,176,778. The Group classifies the cross currency swap as financial liabilities at fair value through profit or loss.

Exposure to currency risk

The summary of quantitative data about the Group's and the Company's exposure in foreign currency risk provided to management of the Group based on its risk management policy was as follows:

	RMB	SGD	USD
	HK$'000	HK$'000	HK$'000
Group			
31 December 2014			
Financial assets			
Cash and cash equivalents	576,937	103,646	518
Trade and other receivables	2,267,156	–	–
Financial receivables	4,966,682	–	–
	7,810,775	103,646	518
Financial liabilities			
Borrowings	(1,824,448)	–	–
Other financial liabilities	–	(991)	–
Trade and other payables	(864,168)	–	–
	(2,688,616)	(991)	–
Net financial assets	5,122,159	102,655	518
Cross-currency swap	–	–	(23,239)
Net exposure	5,122,159	102,655	(22,721)

Notes to the Financial Statements

For the year ended 31 December 2014

31 Financial management (cont'd)

(b) Foreign currency risk (cont'd)

Exposure to currency risk (cont'd)

	RMB HK$'000	SGD HK$'000	USD HK$'000
Group (cont'd)			
31 December 2013			
Financial assets			
Cash and cash equivalents	255,684	–	20,896
Financial receivables	2,447,415	–	–
Trade and other receivables	2,142,216	–	5,157
	4,845,315	–	26,053
Financial liabilities			
Borrowings	(863,929)	–	–
Trade and other payables	(620,001)	–	–
Other financial liabilities	–	–	–
	(1,483,930)	–	–
Net financial assets	3,361,385	–	26,053
Company			
31 December 2014			
Financial assets			
Cash and cash equivalents	–	102,279	734
Financial liabilities			
Borrowings	–	(281,248)	–
Other financial liabilities	–	(23,230)	–
	–	(304,478)	–
Net financial (liabilities)/assets	–	(202,199)	734
Cross-currency swap	–	–	(22,239)
Net exposure	–	(202,199)	(21,505)

Notes to the Financial Statements
For the year ended 31 December 2014

31 Financial management (cont'd)

(b) Foreign currency risk (cont'd)

Exposure to currency risk (cont'd)

	RMB HK$'000	SGD HK$'000	USD HK$'000
Company (cont'd)			
30 June 2014 (restated)			
Financial assets			
Cash and cash equivalents	15	35,876	745
Financial liabilities			
Borrowings	–	(303,795)	–
Other financial liabilities	–	(996)	–
	–	(304,791)	–
Net financial (liabilities)/assets	15	(268,915)	745
Cross-currency swap	–	–	(1,761)
Net exposure	15	(268,915)	(1,016)
1 July 2013 (restated)			
Financial assets			
Cash and cash equivalents	–	214	–
Financial liabilities			
Other financial liabilities	–	(48,628)	–
Net financial liabilities	–	(48,414)	–

31 Financial management (cont'd)

(b) Foreign currency risk (cont'd)

Sensitivity analysis

A change of 10% (taking into consideration both strengthening and weakening aspect) of the following currencies against the HK$ at the reporting date would (decrease)/increase the Group's and the Company's (loss)/profit before income tax by the amounts as shown below. This analysis assumes that all other variables, in particular interest and tax rates, remain constant.

	Group		Company	
	31 December 2014	**31 December 2013**	**31 December 2014**	**30 June 2014**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
RMB against HK$				
- strengthened	512,216	336,139	–	2
- weakened	(512,216)	(336,139)	–	(2)
SGD against HK$				
- strengthened	10,266	–	(20,220)	26,892
- weakened	(10,266)	–	20,220	(26,892)
USD against HK$				
- strengthened	(2,272)	2,605	2,151	102
- weakened	2,272	(2,605)	(2,151)	(102)

(c) Credit risk

Credit risk refers to the risk that the customer or counterparty failed to discharge an obligation and resulted in a financial loss to the Group and Company.

As the Group does not hold any collateral, the maximum exposure to credit risk is the carrying amounts of the related financial assets presented on the statement of financial position.

The Group's credit risk is primarily attributable to its financial receivables and trade and other receivables. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of financial receivables and trade and other receivables. This allowance account in respect of financial receivables and trade and other receivables is used to record impairment losses unless the Group are satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

For financial receivables, the counterparties are local government authorities in different provinces in the PRC. Management is of the view that the associated credit risk is not significant. The financial receivables are monitored on an ongoing basis.

31 Financial management (cont'd)

(c) Credit risk (cont'd)

Trade and other receivables balances are monitored on an ongoing basis and whether the trade and other receivables are recoverable are estimated by the Group's management based on prior experience and the current economic environment.

Cash and fixed deposits are placed with banks and financial institutions which are regulated. For other financial assets, the Group minimise credit risk by dealing exclusively with high credit rating counterparties.

Significant concentration of credit risk

Concentration of credit risk exist when changes in economic, industry or geographic factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group's credit exposure is concentrated mainly in the PRC, where its operations are based.

The age analysis of trade receivables past due at the reporting date is as follows:

	Group	
	31 December 2014 HK$'000	31 December 2013 HK$'000
Not past due	161,035	82,421
Past due:		
- 1 to 30 days	15,340	9,755
- 31 to 90 days	26,081	11,711
- 91 days to 180 days	7,264	7,678
- 181 days to 365 days	16,966	9,386
- more than 365 days	15,255	22,287
	241,941	143,238

Based on historical default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables, including those which are past due, as the counterparties are local government authorities with insignificant credit risk.

(d) Liquidity risk

Liquidity risk refers to the risk that the Group and the Company will not be able to meet its financial obligations as they fall due. The Group monitors its liquidity risk and maintains a level of cash and cash equivalents and credit facilities deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

Notes to the Financial Statements

For the year ended 31 December 2014

31 Financial management (cont'd)

(d) Liquidity risk (cont'd)

The table below analyses the maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted cash flows.

		Cash flows			
	Carrying amount HK$'000	Contractual cash flows HK$'000	Within 1 year HK$'000	Between 2 to 5 years HK$'000	After 5 years HK$'000
Group					
31 December 2014					
Borrowings	1,824,448	2,216,464	895,199	1,010,737	310,528
Trade and other payables	864,168	864,168	599,841	264,327	–
Other financial liabilities#	22,239	22,239	22,239	–	–
	2,710,855	3,102,871	1,517,279	1,275,064	310,528
31 December 2013					
Borrowings	863,929	997,256	334,071	646,883	16,302
Trade and other payables	2,207,388	2,207,388	619,999	1,587,389	–
	3,071,317	3,204,644	954,070	2,234,272	16,302
Company					
31 December 2014					
Borrowings	281,248	302,034	302,034	–	–
Trade and other payables	68,795	68,795	68,795	–	–
Other financial liabilities#	22,239	22,239	22,239	–	–
	372,282	393,068	393,068	–	–
30 June 2014 (restated)					
Borrowings	303,795	339,058	23,250	315,808	–
Trade and other payables	43,944	43,944	43,944	–	–
Other financial liabilities#	1,761	1,761	–	1,761	–
	349,500	384,763	67,194	317,569	–
1 July 2013 (restated)					
Trade and other payables	16,701	16,701	16,701	–	–

Excludes warrants

31 Financial management (cont'd)

(e) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, issue new shares or obtain new borrowings. There is no change in capital management policies during the year.

The Group's and Company's strategies are to maintain a prudent balance between the advantage and flexibility afforded by a sound capital position and the higher return on equity that are possible with greater leverage.

Consistently, the Group monitors capital based on a net debt against equity ratio. The net debt against equity ratio is calculated by dividing net debt by total equity. Net debt is calculated as total liabilities (as shown in the statement of financial position, excluding current tax liabilities and deferred tax liabilities) less cash and cash equivalents. Total equity comprises share capital plus reserves.

	Group	
	31 December 2014 HK$'000	31 December 2013 HK$'000
Net debt	2,030,745	2,780,904
Total equity	6,551,160	1,991,395
Net debt against equity ratio	0.31	1.40

The Group is in compliance with all externally imposed capital requirements for the financial years ended 31 December 2014 and 31 December 2013.

The Group's subsidiaries in the PRC are required to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This has been complied with by the relevant subsidiaries for the financial years ended 31 December 2014 and 31 December 2013.

32 Fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following method. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Determination of fair values

(a) Non-current borrowings

Fair value is calculated based on discounted expected future principal and interest cash flows. The discount rates used are based on market rates for similar instruments at the reporting date.

(b) Warrants

The valuation methodology used is described in Note 20(b).

(c) Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents and trade and other payables) are assumed to approximate their fair values because of the short period to maturity. All other financial assets and liabilities are discounted at the market rate to determine their fair values.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate for a similar instrument at the reporting date.

Notes to the Financial Statements

For the year ended 31 December 2014

32 Fair values (cont'd)

Accounting classifications and fair values

Fair values versus carrying amounts

	Note	Loans and receivables HK$'000	Financial liabilities at fair value through profit or loss HK$'000	Other financial liabilities within the scope of IAS 39 HK$'000	Carrying amount HK$'000	Fair value HK$'000
Group						
31 December 2014						
Assets						
Financial receivables	11	4,966,682	–	–	4,966,682	4,966,682
Trade and other receivables*	13	2,217,331	–	–	2,217,331	2,217,331
Cash and cash equivalents	14	681,101	–	–	681,101	681,101
		7,685,114	–	–	7,685,114	7,685,114
Liabilities						
Borrowings	17	–	–	1,824,448	1,824,448	1,824,448
Trade and other payables	19	–	–	864,168	864,168	864,168
Other financial liabilities	20	–	23,230	–	23,230	23,230
		–	23,230	2,688,616	2,711,846	2,711,846
31 December 2013						
Assets						
Financial receivables	11	2,447,415	–	–	2,447,415	2,447,415
Trade and other receivables*	13	2,313,959	–	–	2,313,959	2,313,959
Cash and cash equivalents	14	290,413	–	–	290,413	290,413
		5,081,787	–	–	5,081,787	5,081,787

* Excludes prepayments

	Note	Loans and receivables HK$'000	Financial liabilities at fair value through profit or loss HK$'000	Other financial liabilities within the scope of IAS 39 HK$'000	Carrying amount HK$'000	Fair value HK$'000
Liabilities						
Borrowings	17	–	–	863,929	863,929	863,929
Trade and other payables	19	–	–	2,207,388	2,207,388	2,207,388
		–	–	3,071,317	3,071,317	3,071,317

Notes to the Financial Statements

For the year ended 31 December 2014

32 Fair values (cont'd)

Accounting classifications and fair values (cont'd)

Fair values versus carrying amounts (cont'd)

	Note	Loans and receivables HK$'000	Financial liabilities at fair value through profit or loss HK$'000	Other financial liabilities within the scope of IAS 39 HK$'000	Carrying amount HK$'000	Fair value HK$'000
Company						
31 December 2014						
Assets						
Trade and other receivables	13	47,723	–	–	47,723	47,723
Cash and cash equivalents	14	103,109	–	–	103,109	103,109
		150,832	–	–	150,832	150,832
Liabilities						
Borrowings	17	–	–	281,248	281,248	281,248
Trade and other payables	19	–	–	68,795	68,795	68,795
Other financial liabilities	20	–	23,230	–	23,230	23,230
		–	23,230	350,043	373,273	373,273
30 June 2014 (restated)						
Assets						
Cash and cash equivalents	14	36,728	–	–	36,728	36,728
Liabilities						
Borrowings	17	–	–	303,795	303,795	303,795
Trade and other payables	19	–	–	43,944	43,944	43,944
Other financial liabilities	20	–	2,757	–	2,757	2,757
		–	2,757	347,739	350,496	350,496
1 July 2013 (restated)						
Assets						
Cash and cash equivalents	14	316	–	–	316	316
Liabilities						
Trade and other payables	19	–	–	16,701	16,701	16,701
Other financial liabilities	20	–	48,628	–	48,628	48,628
		–	48,628	16,701	65,329	65,329

32 Fair values (cont'd)

Fair value hierarchy

The tables below analyse fair value measurements for financial assets and financial liabilities, by the levels in the fair value hierarchy based on the inputs to valuation techniques. The different levels are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The following table presents the financial instruments measured at fair value at 31 December 2014 and 31 December 2013:

Financial instruments carried at fair value

	Fair value			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Group				
31 December 2014				
Liabilities				
Other financial liabilities:				
Derivative financial instruments:				
- Cross-currency swap	–	22,239	–	–
- Warrants	–	991	–	–
	–	23,230	–	–
31 December 2013				
Liabilities				
Other financial liabilities:				
Derivative financial instruments:				
- Cross-currency swap	–	–	–	–
- Warrants	–	–	–	–
	–	–	–	–

Notes to the Financial Statements

For the year ended 31 December 2014

32 Fair values (cont'd)

Fair value hierarchy (cont'd)

Financial instruments carried at fair value (cont'd)

	Fair value			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Company				
31 December 2014				
Liabilities				
Other financial liabilities:				
Derivative financial instruments:				
- Cross-currency swap	–	22,239	–	–
- Warrants	–	991	–	–
	–	23,230	–	–
30 June 2014 (restated)				
Liabilities				
Other financial liabilities:				
Derivative financial instruments:				
- Cross-currency swap	–	1,761	–	–
- Warrants	–	996	–	–
	–	2,757	–	–

Notes to the Financial Statements

For the year ended 31 December 2014

32 Fair values (cont'd)

Fair value hierarchy (cont'd)

*Financial instruments not carried at fair value but for which fair values are disclosed ***

	Fair value			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Group				
31 December 2014				
Assets				
Financial receivables	–	–	4,966,682	–
Trade and other receivables	–	2,267,156	–	–
	–	2,267,156	4,966,682	–
Liabilities				
Borrowings	–	1,824,448	–	–
31 December 2013				
Assets				
Financial receivables	–	–	2,447,415	–
Trade and other receivables	–	2,313,959	–	–
	–	2,313,959	2,447,415	–
Liabilities				
Borrowings	–	(863,929)	–	–
Company				
31 December 2014				
Liabilities				
Borrowings	–	(281,248)	–	(281,248)
30 June 2014 (restated)				
Liabilities				
Borrowings	–	(303,795)	–	(303,795)

** Excludes financial assets and financial liabilities whose carrying amounts measured on the amortised cost basis approximate their fair value due to their short-term nature and where the effect of discounting is immaterial.

33 Acquisition of subsidiaries

The subsidiaries were acquired via a RTO as described in note 2.

The net assets acquired and the goodwill arising from the RTO are as follows:

	Pre-acquisition carrying amounts HK$'000	Fair value adjustments HK$'000	Fair value on date of acquisition HK$'000
Property, plant and equipment	17,910	–	17,910
Intangible assets	200,465	610,486	810,951
Financial receivables	2,691,198	39,659	2,730,857
Inventories	6,209	–	6,209
Trade and other receivables	190,984	–	190,984
Other receivables	15,901	–	15,901
Cash and cash equivalents	430,598	–	430,598
Borrowings	(1,131,531)	–	(1,131,531)
Deferred tax liabilities	(317,222)	(162,536)	(479,758)
Other financial liabilities	(18,364)	–	(18,364)
Trade and other payables	(334,329)	–	(334,329)
Provision for taxation	9	–	9
Net assets acquired			2,239,437
Goodwill on consolidation			1,043,545
			3,282,982
Purchase consideration			
- Equity instruments issued as settlement of purchase consideration (1,940,269 shares)			3,282,982
			3,282,982
Cash consideration			–
Cash acquired			430,598
Net cash inflow			430,598

The Group incurred acquisition-related costs of HK$ 496,500. These costs have been included in 'Administrative Expenses'.

The subsidiaries acquired from the RTO contributed revenue of HK$41,293,000 and incurred loss of HK$14,489,000 to the Group's results from the date of completion of 12 December 2014 to 31 December 2014. If the acquisition had occurred on 1 January 2014, management estimated that consolidated revenue would have been HK$1,478,491,000, and consolidated profit for the year would have been HK$114,400,000. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2014.

Notes to the Financial Statements

For the year ended 31 December 2014

33 Acquisition of subsidiaries

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets and liabilities acquired are as follows:

Assets required	Valuation technique
Property, plant and equipment	Fair value less cost of disposal using discount cash flow analysis
Intangible assets	Fair value less cost of disposal using discount cash flow analysis
Financial receivables	Fair value less cost of disposal using discount cash flow analysis

34 Subsequent events

(a) Subscription Agreements

On 19 January 2015, the Company entered into subscription agreements with International Finance Corporation ("IFC") and Dalvey Asset Holding Ltd ("DAH", together with IFC, the "Investors"). The Company has agreed to allot and issue and the Investors have agreed to subscribe for an aggregate of 120,690,957 new ordinary shares in the capital of the Company at an issue price of S$0.94 per share, representing gross proceeds of approximately S$113,449,500, which will be utilised as working capital to fund the growth and expansion of the Company's business.

The subscription of new shares is subject to shareholder approval at a special general meeting ("SGM").

(b) Redemption of Notes S$50,000,000 7.5% Fixed Rate Notes Due 1 August 2015

S$21,750,000 out of the principal amount of S$50,000,000 7.5% fixed rate notes (due on 1 August 2015) together with the accrued interest was paid on 2 March 2015 due to an exercise of redemption rights by certain notes holders.

Statistics of Shareholdings

As at 23 March 2015

Authorised share capital	:	HKD10,000,000,000
Issued and fully paid-up capital	:	HKD2,487,261,275
Class of shares	:	Ordinary shares of HKD1.00 each
Number of Shares	:	2,487,261,275
Voting rights	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1~ 99	398	6.77	9,906	0.00
100 ~ 1,000	1,402	23.85	755,150	0.03
1,001 ~ 10,000	2,634	44.81	13,092,341	0.53
10,001 ~ 1,000,000	1,416	24.09	88,891,899	3.57
1,000,001 AND ABOVE	28	0.48	2,384,511,979	95.87
TOTAL	5,878	100.00	2,487,261,275	100.00

On the basis of the information available to the Company, approximately 19.89% of the equity securities of the Company are held in the hands of the public. This is in compliance with Rule 723 of the Listing Manual of the SGX-ST, which requires at least 10% of a listed issuer's equity securities to be held by the public.

TWENTY LARGEST SHAREHOLDERS

	NAME	NO. OF SHARES	%
1.	CHINA EVERBRIGHT WATER HOLDINGS LIMITED	1,940,269,305	78.01
2.	RAFFLES NOMINEES (PTE) LIMITED	181,689,780	7.30
3.	DBS NOMINEES (PRIVATE) LIMITED	59,737,715	2.40
4.	CITIBANK NOMINEES SINGAPORE PTE LTD	53,464,454	2.15
5.	PHILLIP SECURITIES PTE LTD	25,133,666	1.01
6.	HSBC (SINGAPORE) NOMINEES PTE LTD	19,145,838	0.77
7.	MAYBANK KIM ENG SECURITIES PTE. LTD.	17,867,635	0.72
8.	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	14,675,713	0.59
9.	CHEONG SAE PENG	11,800,000	0.47
10.	OCBC SECURITIES PRIVATE LIMITED	10,775,106	0.43
11.	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	8,530,785	0.34
12.	DBSN SERVICES PTE. LTD.	7,660,365	0.31
13.	CIMB SECURITIES (SINGAPORE) PTE. LTD.	5,762,188	0.23
14.	DB NOMINEES (SINGAPORE) PTE LTD	5,103,039	0.21
15.	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	2,529,442	0.10
16.	CHIEW CARLTON	2,509,000	0.10
17.	TEE WEE SIEN (ZHENG WEIXIAN)	2,350,000	0.09
18.	ANG KAY TIONG	2,000,000	0.08
19.	BNP PARIBAS SECURITIES SERVICES SINGAPORE BRANCH	1,876,982	0.08
20.	CITIBANK CONSUMER NOMINEES PTE LTD	1,625,785	0.07
	TOTAL	2,374,506,798	95.46

Statistics of Shareholdings

As at 23 March 2015

SUBSTANTIAL SHAREHOLDERS

NAME OF SUBSTANTIAL SHAREHOLDER	DIRECT INTEREST No. of Shares held	DIRECT INTEREST %	DEEMED INTEREST No. of Shares held	DEEMED INTEREST %
China Everbright Water Holdings Limited	1,940,269,305	78.01	–	–
China Everbright Environmental Protection Holdings Limited (1)	–	–	1,940,269,305	78.01
China Everbright International Limited (2)	–	–	1,940,269,305	78.01
Guildford Limited (3)	–	–	1,940,269,305	78.01
Datten Investments Limited (4)	–	–	1,940,269,305	78.01
China Everbright Holdings Company Limited (5)	–	–	1,940,269,305	78.01

Notes:

(1) China Everbright Environmental Protection Holdings Limited ("CEEPH"), which is the holding company of China Everbright Water Holdings Limited, is deemed to have an interest in the Shares held by China Everbright Water Holdings Limited.

(2) China Everbright International Limited ("CEIL") is the holding company of CEEPH and is deemed to have an interest in the Shares in which CEEPH has an interest.

(3) Guildford Limited ("Guildford") holds more than 20 per cent. but not more than 50 per cent. of the entire issued share capital of CEIL and is deemed to have an interest in the Shares in which CEIL has an interest.

(4) Datten Investments Limited ("Datten") is the holding company of Guildford and is deemed to have an interest in the Shares in which Guilford has an interest.

(5) China Everbright Holdings Company Limited ("CEH") is the holding company of Datten and is deemed to have an interest in the Shares in which Datten has an interest.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of China Everbright Water Limited will be held at Pan Pacific Singapore, Ocean 3-5, Level 2, 7 Raffles Boulevard, Marina Square, Singapore 039595 on Tuesday, 28 April 2015 at 10.00 am to transact the following businesses:-

AS ORDINARY BUSINESS

1. To receive and consider the Directors' Report and Audited Financial Statements of the Company for the financial year ended 31 December 2014 and the Auditors' Report thereon. **(Resolution 1)**

2. To approve the payment of Directors' fees of S$200,000/- for the financial year ended 31 December 2014. (30 June 2014 : S$200,000/-) **(Resolution 2)**

3. To re-appoint Messrs KPMG LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 3)**

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following ordinary resolutions with or without modifications:

4. Authority to allot and issue shares

   (a) That, pursuant to Company's Bye-laws, and the listing rules of the Singapore Exchange Securities Trading Limited, approval be and is hereby given to the Directors of the Company at any time to such persons and upon such terms and for such purposes as the Directors may in their absolute discretion deem fit, to:

      (i) issue shares in the capital of the Company whether by way of right, bonus or otherwise;

      (ii) make or grant offers, agreements or options that might or would require shares to be issued or other transferable rights to subscribe for or purchase shares (collectively, "Instruments") including but not limited to the creation and issue of warrants, debentures or other instruments convertible into shares;

      (iii) issue additional instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues; and

   (b) (notwithstanding the authority conferred by the shareholders may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the authority was in force.

   provided always that:

   (i) the aggregate number of shares to be issued pursuant to this resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed fifty per cent. (50%) of the total number of issued shares excluding treasury shares of the Company, of which the aggregate number of shares (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) to be issued other than on a pro rata basis to existing shareholders of the Company does not exceed twenty per cent. (20%) of the total number of issued shares excluding treasury shares of the Company, and for the purpose of this resolution, the issued share capital shall be the Company's total number of issued shares excluding treasury shares at the time this resolution is passed, after adjusting for;

Notice of Annual General Meeting

a) new shares arising from the conversion or exercise of any convertible securities, or

b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this resolution is passed provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the Singapore Exchange Securities Trading Limited; and

c) any subsequent bonus issue, consolidation or subdivision of the Company's shares, and

(ii) such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.
(See Explanatory Note i) **(Resolution 4)**

5. Authority to allot and issue shares under the China Everbright Water Limited Scrip Dividend Scheme *(formerly known as HanKore Environment Tech Group Limited Scrip Dividend Scheme)*

   That authority be and is hereby given to the Directors to allot and issue from time to time such number of shares in the Company as may be required to be allotted and issued pursuant to the China Everbright Water Limited Scrip Dividend Scheme.
   (See Explanatory Note ii) **(Resolution 5)**

6. To transact any other ordinary business which may be properly transacted at an Annual General Meeting.

BY ORDER OF THE BOARD

WANG TIANYI
Executive Director, Vice-Chairman and Chief Executive Officer

13 April 2015
Singapore

Notice of Annual General Meeting

Notes:

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy in his stead.

2. A proxy need not be a member of the Company.

3. If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.

4. The instrument appointing a proxy must be deposited at the office of the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte Ltd at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than forty-eight (48) hours before the time appointed for the Annual General Meeting.

Explanatory Notes:-

i. The ordinary resolution 4 proposed in item 4 is to authorise the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares and convertible securities in the Company up to an amount not exceeding in aggregate 50 percent of the total number of issued shares excluding treasury shares of the Company, of which the total number of shares and convertible securities issued other than on a pro-rata basis to existing shareholders shall not exceed 20 percent of the total number of issued shares excluding treasury shares of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

ii. Pursuant to the Special General Meeting of the Company held on 28 October 2005, the shareholders of the Company approved the passing of the ordinary resolution relating to the "HanKore Environment Tech Group Limited Scrip Dividend Scheme". In the circular dated 11 October 2005, the Scrip Dividend Scheme provides members with the option to elect to receive shares in lieu of the cash amount of any dividend declared on their holding of shares. The Ordinary Resolution 5 proposed in item 5, if passed, will empower the Directors of the Company to allot and issue shares in the Company pursuant to the terms and conditions of the HanKore Environment Tech Group Limited Scrip Dividend Scheme (now known as China Everbright Water Limited Scrip Dividend Scheme).

Personal data privacy:

By submitting a proxy form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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