

**CHINA EVERBRIGHT WATER LIMITED**

Unaudited financial statements for the third quarter (“3QFY2015”) and nine months ended 30 September 2015 (“9MFY2015”)

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

	Group		Increase/ -decrease %	Group		Increase/ -decrease %
	3QFY2015 HKD'000	3QFY2014 HKD'000		9MFY2015 HKD'000	9MFY2014 HKD'000	
Revenue	<b>410,153</b>	252,157	63%	<b>1,356,297</b>	757,994	79%
Cost of sales	<b>(219,100)</b>	(122,144)	79%	<b>(722,011)</b>	(318,838)	126%
Gross profit	<b>191,053</b>	130,013	47%	<b>634,286</b>	439,156	44%
Other income	<b>8,111</b>	8,145	0%	<b>30,215</b>	12,056	151%
Administrative expenses	<b>(49,859)</b>	(20,136)	148%	<b>(140,878)</b>	(51,206)	175%
Operating profit	<b>149,305</b>	118,022	27%	<b>523,623</b>	400,006	31%
Finance costs	<b>(14,475)</b>	(24,711)	-41%	<b>(84,919)</b>	(59,449)	43%
Profit before tax	<b>134,830</b>	93,311	44%	<b>438,704</b>	340,557	29%
Income tax	<b>(42,799)</b>	(15,675)	173%	<b>(126,125)</b>	(84,731)	49%
<b>Net profit for the period</b>	<b>92,031</b>	77,636	19%	<b>312,579</b>	255,826	22%
Other comprehensive income						
– Foreign currency translation differences	<b>(169,344)</b>	41,643	-507%	<b>(166,727)</b>	(40,683)	310%
Total comprehensive income for the financial period	<b>(77,313)</b>	119,279	-165%	<b>145,852</b>	215,143	-32%

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

	Group		Increase/ -decrease %	Group		Increase/ -decrease %
	3QFY2015 HKD'000	3QFY2014 HKD'000		9MFY2015 HKD'000	9MFY2014 HKD'000	
<b>Net profit attributable to:</b>						
Owners of the Company	88,845	70,920	25%	300,112	236,919	27%
Non-controlling interests	<u>3,186</u>	<u>6,716</u>	-53%	<u>12,467</u>	<u>18,907</u>	-34%
	<b><u>92,031</u></b>	<b><u>77,636</u></b>	19%	<b><u>312,579</u></b>	<b><u>255,826</u></b>	22%
<b>Total comprehensive income attributable to:</b>						
Owners of the Company	(76,536)	107,708	-171%	137,075	199,800	-31%
Non-controlling interests	<u>(777)</u>	<u>11,571</u>	-107%	<u>8,777</u>	<u>15,343</u>	-43%
	<b><u>(77,313)</u></b>	<b><u>119,279</u></b>	-165%	<b><u>145,852</u></b>	<b><u>215,143</u></b>	-32%

*Note 1*

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

	Group		Increase/ -decrease %	Group		Increase/ -decrease %
	3QFY2015 HKD'000	3QFY2014 HKD'000		9MFY2015 HKD'000	9MFY2014 HKD'000	
Depreciation	5,094	3,662	39%	15,114	10,349	46%
Amortisation of intangible assets	11,715	2,162	442%	38,520	4,727	715%
Interest expense on:						
related party bank borrowings	962	2,644	-64%	3,399	5,100	-33%
other bank borrowings	10,501	15,727	-33%	71,102	38,157	86%
amounts due to group companies	3,012	6,340	-52%	10,418	16,192	-36%

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

	<b>Group</b>		<b>Company</b>	
	<b>30 September 2015 HKD'000</b>	<b>31 December 2014 HKD'000</b>	<b>30 September 2015 HKD'000</b>	<b>31 December 2014 HKD'000</b>
<b>Current assets</b>				
Cash and cash equivalents	933,812	681,101	45,734	103,109
Trade and other receivables	1,693,943	515,363	1,447,586	48,232
Financial receivables	424,402	483,143	–	–
Inventories	39,268	28,912	–	–
	<u>3,091,425</u>	<u>1,708,519</u>	<u>1,493,320</u>	<u>151,341</u>
<b>Non-current assets</b>				
Property, plant and equipment	155,028	173,559	5	10
Financial receivables	4,760,777	4,483,539	–	–
Intangible assets	896,324	950,594	–	–
Goodwill	1,019,768	1,043,545	–	–
Investment in subsidiaries	–	–	9,710,655	9,931,051
Other receivables	1,823,179	1,751,793	–	–
	<u>8,655,076</u>	<u>8,403,030</u>	<u>9,710,660</u>	<u>9,931,061</u>
<b>Current liabilities</b>				
Borrowings	1,836,376	762,718	1,077,319	281,248
Trade and other payables	506,061	599,843	24,867	68,795
Other financial liabilities	–	23,230	–	23,230
Provision for income tax	32,570	19,566	–	–
	<u>2,375,007</u>	<u>1,405,357</u>	<u>1,102,186</u>	<u>373,273</u>
<b>Net current assets/(liabilities)</b>	<b>716,418</b>	<b>303,162</b>	<b>391,134</b>	<b>(221,932)</b>
<b>Non-current liabilities</b>				
Borrowings	902,090	1,061,730	–	–
Deferred tax liabilities	860,842	828,977	–	–
Other payables	251,787	264,325	–	–
	<u>2,014,719</u>	<u>2,155,032</u>	<u>–</u>	<u>–</u>
<b>Net assets</b>	<b><u>7,356,775</u></b>	<b><u>6,551,160</u></b>	<b><u>10,101,794</u></b>	<b><u>9,709,129</u></b>

	<b>Group</b>		<b>Company</b>	
	<b>30 September 2015</b>	<b>31 December 2014</b>	<b>30 September 2015</b>	<b>31 December 2014</b>
	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>
<b>Capital and reserves</b>				
Share capital	<b>2,670,098</b>	2,549,345	<b>2,670,098</b>	2,549,345
Reserves	<b>4,452,220</b>	3,776,135	<b>7,431,696</b>	7,159,784
Equity attributable to owners of the Company	<b>7,122,318</b>	6,325,480	<b>10,101,794</b>	9,709,129
Non-controlling interests	<b>234,457</b>	225,680	–	–
	<b>7,356,775</b>	6,551,160	<b>10,101,794</b>	9,709,129

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

*Amount payable within one year or less, or on demand*

<b>As at 30 September 2015</b>		<b>As at 31 December 2014</b>	
<b>Secured</b>	<b>Unsecured</b>	<b>Secured</b>	<b>Unsecured</b>
<i>(HKD'000)</i>	<i>(HKD'000)</i>	<i>(HKD'000)</i>	<i>(HKD'000)</i>
<b>671,410</b>	<b>1,164,966</b>	440,673	322,045

*Amount payable after one year*

<b>As at 30 September 2015</b>		<b>As at 31 December 2014</b>	
<b>Secured</b>	<b>Unsecured</b>	<b>Secured</b>	<b>Unsecured</b>
<i>(HKD'000)</i>	<i>(HKD'000)</i>	<i>(HKD'000)</i>	<i>(HKD'000)</i>
<b>664,108</b>	<b>237,982</b>	906,435	155,295

*Details of Collateral*

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

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

	3QFY2015 <i>HKD'000</i>	3QFY2014 <i>HKD'000</i>	9MFY2015 <i>HKD'000</i>	9MFY2014 <i>HKD'000</i>
<b>Cash flow from operating activities</b>				
Profit before tax	134,830	93,311	438,704	340,557
<b>Adjustments for:</b>				
Depreciation of property, plant and equipment	5,094	3,662	15,114	10,349
Amortisation of intangible assets	11,715	2,162	38,520	4,727
Net fair value loss on cross-currency swap and warrants	(21,836)	–	(22,278)	–
Net loss on disposal of property, plant and equipment	–	–	–	148
Unrealised exchange loss/(gain)	9,601	(295)	(3,058)	3,689
Net finance costs	12,745	24,364	81,731	58,196
	<u>152,149</u>	<u>123,204</u>	<u>548,733</u>	<u>417,666</u>
Operating cash flow before working capital changes				
<b>Changes in working capital</b>				
Financial receivables	(87,844)	(150,828)	(332,706)	(115,367)
Inventories	7,038	(1,152)	(11,022)	(1,772)
Trade and other receivables	(246,287)	104,758	(449,986)	23,889
Trade and other payables	2,439	(42,276)	30,283	(283,831)
	<u>(172,505)</u>	<u>33,706</u>	<u>(214,698)</u>	<u>40,585</u>
<b>Cash (used in)/generated from operations</b>				
Income tax paid	(17,796)	(16,660)	(66,102)	(48,787)
	<u>(190,301)</u>	<u>17,046</u>	<u>(280,800)</u>	<u>(8,202)</u>
<b>Net cash (used in)/generated from operating activities</b>				

	<b>3QFY2015</b> <i>HKD'000</i>	3QFY2014 <i>HKD'000</i>	<b>9MFY2015</b> <i>HKD'000</i>	9MFY2014 <i>HKD'000</i>
<b>Cash flow from investing activities</b>				
Purchase of property, plant and equipment	(5,215)	(1,450)	(10,128)	(3,164)
Proceeds from disposal of property, plant and equipment	–	–	–	47
Decrease in loan receivables	–	–	–	49,860
Interest received	1,730	347	3,188	1,253
Payment made for the acquisition of subsidiaries	(852,110)	–	(852,110)	–
Acquisition of additional interest in an associate, net of cash acquired	–	937	–	937
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net cash (used in)/generated from investing activities</b>	<b>(855,595)</b>	(166)	<b>(859,050)</b>	48,933
<b>Cash flow from financing activities</b>				
Acquisition of additional interest in a subsidiary	–	(113,637)	–	(113,637)
Proceeds from exercise of warrants	–	–	180	–
Proceeds from issue of shares	–	–	659,031	–
Proceeds from bank borrowings	1,418,124	389	1,994,301	110,614
Repayment of bank borrowings	(439,284)	(56,434)	(1,043,637)	(181,095)
(Increase)/decrease in pledged bank deposits	(337,973)	53,490	(223,938)	42,849
Increase/(decrease) in amounts due to ultimate holding company	2,997	(183,819)	(113,744)	(6,553)
(Decrease)/increase in amounts due to immediate holding company	(22,038)	237,512	(19,861)	37,048
Increase/(decrease) in amounts due to fellow subsidiaries	13,310	(28,110)	16,872	106,355
Interest paid	(14,475)	(24,711)	(84,919)	(59,449)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net cash generated from/(used in) financing activities</b>	<b>620,661</b>	(115,320)	<b>1,184,285</b>	(63,868)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(425,235)</b>	(98,440)	<b>44,435</b>	(23,137)
<b>Cash and cash equivalents at the beginning of the period</b>	<b>969,862</b>	316,013	<b>499,331</b>	246,945
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(12,342)</b>	3,649	<b>(11,481)</b>	(2,586)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Cash and cash equivalents at the end of the period</b>	<b>532,285</b>	221,222	<b>532,285</b>	221,222

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

	Share capital	Share premium	Foreign currency translation reserve	Statutory reserve	Other reserve	Retained earnings	Total	Non-controlling interests	Total equity
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
<b>Group</b>									
At 1 January 2015	2,549,345	1,914,548	266,571	94,999	(2,181)	1,502,198	6,325,480	225,680	6,551,160
Profit for the period	-	-	-	-	-	100,861	100,861	3,786	104,647
Other comprehensive income	-	-	4,158	-	-	-	4,158	555	4,713
At 31 March 2015	2,549,345	1,914,548	270,729	94,999	(2,181)	1,603,059	6,430,499	230,021	6,660,520
Profit for the period	-	-	-	-	-	110,406	110,406	5,495	115,901
Other comprehensive income	-	-	(1,814)	-	-	-	(1,814)	(282)	(2,096)
Issue of ordinary shares	120,691	538,340	-	-	-	-	659,031	-	659,031
Exercise of warrants	62	670	-	-	-	-	732	-	732
At 30 June 2015	2,670,098	2,453,558	268,915	94,999	(2,181)	1,713,465	7,198,854	235,234	7,434,088
Profit for the period	-	-	-	-	-	88,845	88,845	3,186	92,031
Other comprehensive income	-	-	(165,381)	-	-	-	(165,381)	(3,963)	(169,344)
At 30 September 2015	<u>2,670,098</u>	<u>2,453,558</u>	<u>103,534</u>	<u>94,999</u>	<u>(2,181)</u>	<u>1,802,310</u>	<u>7,122,318</u>	<u>234,457</u>	<u>7,356,775</u>
At 1 January 2014	-	-	344,486	71,979	-	1,232,422	1,648,887	342,508	1,991,395
Profit for the period	-	-	-	-	-	67,754	67,754	4,960	72,714
Other comprehensive income	-	-	(63,585)	-	-	-	(63,585)	(7,024)	(70,609)
At 31 March 2014	-	-	280,901	71,979	-	1,300,176	1,653,056	340,444	1,993,500
Profit for the period	-	-	-	-	-	98,245	98,245	7,231	105,476
Other comprehensive income	-	-	(10,322)	-	-	-	(10,322)	(1,395)	(11,717)
Issue of ordinary shares	-	1,210,050	-	-	-	-	1,210,050	-	1,210,050
At 30 June 2014	-	1,210,050	270,579	71,979	-	1,398,421	2,951,029	346,280	3,297,309
Profit for the period	-	-	-	-	-	70,920	70,920	6,716	77,636
Other comprehensive income	-	-	36,788	-	-	-	36,788	4,855	41,643
Acquisition of additional interests in a subsidiary	-	-	19,972	-	(2,181)	-	17,791	(131,428)	(113,637)
At 30 September 2014	<u>-</u>	<u>1,210,050</u>	<u>327,339</u>	<u>71,979</u>	<u>(2,181)</u>	<u>1,469,341</u>	<u>3,076,528</u>	<u>226,423</u>	<u>3,302,951</u>

Company	Share capital HKD'000	Share premium HKD'000	Foreign currency translation reserve HKD'000	Statutory reserve HKD'000	Other reserve HKD'000	(Accumulated losses)/ retained earnings HKD'000	Total HKD'000	Non-controlling interests HKD'000	Total equity HKD'000
At 1 January 2015	2,549,345	11,584,834	(59,686)	-	64,953	(4,430,317)	9,709,129	-	9,709,129
Loss for the period	-	-	-	-	-	(19,337)	(19,337)	-	(19,337)
Other comprehensive income	-	-	49,162	-	-	-	49,162	-	49,162
At 31 March 2015	2,549,345	11,584,834	(10,524)	-	64,953	(4,449,654)	9,738,954	-	9,738,954
Loss for the period	-	-	-	-	-	(3,133)	(3,133)	-	(3,133)
Other comprehensive income	-	-	(35,844)	-	-	-	(35,844)	-	(35,844)
Issue of ordinary shares	120,691	538,340	-	-	-	-	659,031	-	659,031
Exercise of warrants	62	670	-	-	-	-	732	-	732
At 30 June 2015	2,670,098	12,123,844	(46,368)	-	64,953	(4,452,787)	10,359,740	-	10,359,740
Loss for the period	-	-	-	-	-	(6,759)	(6,759)	-	(6,759)
Other comprehensive income	-	-	(251,187)	-	-	-	(251,187)	-	(251,187)
At 30 September 2015	<b>2,670,098</b>	<b>12,123,844</b>	<b>(297,555)</b>	<b>-</b>	<b>64,953</b>	<b>(4,459,546)</b>	<b>10,101,794</b>	<b>-</b>	<b>10,101,794</b>
At 1 January 2014	546,069	1,596,160	-	-	7,849	598,775	2,748,853	-	2,748,853
Loss for the period	-	-	-	-	-	(177,534)	(177,534)	-	(177,534)
Exercise of warrants	4,765	37,468	-	-	-	-	42,233	-	42,233
Issue of ordinary shares related to acquisition of a subsidiary	18,218	133,378	-	-	-	-	151,596	-	151,596
Issue of employee share options	-	-	-	-	16,750	-	16,750	-	16,750
At 31 March 2014	569,052	1,767,006	-	-	24,599	421,241	2,781,898	-	2,781,898
Loss for the period	-	-	-	-	-	(54,132)	(54,132)	-	(54,132)
Exercise of warrants	1,391	11,805	-	-	-	-	13,196	-	13,196
Issue of employee share options	-	-	-	-	16,624	-	16,624	-	16,624
At 30 June 2014	570,443	1,778,811	-	-	41,223	367,109	2,757,586	-	2,757,586
Loss for the period	-	-	-	-	-	(9,540)	(9,540)	-	(9,540)
Other comprehensive income	-	-	-	-	16,461	-	16,461	-	16,461
At 30 September 2014	<b>570,443</b>	<b>1,778,811</b>	<b>-</b>	<b>-</b>	<b>57,684</b>	<b>357,569</b>	<b>2,764,507</b>	<b>-</b>	<b>2,764,507</b>



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

	<b>30 September 2015</b>	31 December 2014
No. of ordinary shares issued ('000)	<u><b>2,608,014</b></u>	<u>2,487,261</u>

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

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

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

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

<b>30 September 2015 ('000):</b>	<b>2,608,014</b>
31 December 2014 ('000):	2,487,261

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

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

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

Not applicable.

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

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

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

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

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

**Basic/diluted earnings per share**

	<b>3QFY2015</b>	3QFY2014	<b>9MFY2015</b>	9MFY2014
Profit attributable to owners of the Company ( <i>HKD'000</i> )	<b>88,845</b>	70,920	<b>300,112</b>	236,919
Weighted average number of ordinary shares in issue ( <i>'000</i> )	<b>2,608,014</b>	1,940,269	<b>2,558,916</b>	1,940,269
Basic/diluted earnings per share ( <i>HKD</i> )	<b>0.034</b>	0.037	<b>0.117</b>	0.122

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

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

	Group		Company	
	30 September 2015 HKD	31 December 2014 HKD	30 September 2015 HKD	31 December 2014 HKD
Net asset value per ordinary share based on the existing issued share capital as at the respective period	<u>2.73</u>	<u>2.54</u>	<u>3.87</u>	<u>3.90</u>

The net asset value per ordinary share is calculated by the net asset value attributable to equity owners of the Company divided by the number of ordinary shares outstanding excluding treasury shares at the period end date.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group’s business. It must include a discussion of any significant factors that effected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

### Overview

During 9MFY2015, the revenue of the Group increased by 79% to HKD1,356.30 million compared with the revenue of HKD757.99 million in 9MFY2014. Gross profit of the Group increased from HKD439.16 million in 9MFY2014 to HKD634.29 million in 9MFY2015, representing an increase of 44%. The net profit of the Group increased from HKD255.83 million in 9MFY2014 to HKD312.58 million in 9MFY2015, representing a rise of 22%. This resulted in a net profit attributable to the shareholders of the Company of HKD300.11 million in 9MFY2015, which increased by 27% over 9MFY2014.

## Statement of Comprehensive Income

### *Revenue*

Revenue increased by 63% from HKD252.16 million in 3QFY2014 to HKD410.15 million in 3QFY2015. The increase was mainly attributable to the increase of HKD124.99 million in construction revenue, HKD4.85 million in operation services income and HKD28.15 million in finance income. The increase in revenue from construction of waste water treatment plants was mainly attributable to the expansion and upgrading of several projects during 3QFY2015.

### *Cost of sales*

Cost of sales in 3QFY2015 amounted to HKD219.10 million, while that in 3QFY2014 amounted to HKD122.14 million. This increase was mainly attributable to the expansion and upgrading of several projects, which resulted in an increase in construction cost of HKD78.91 million.

### *Gross profit margin*

Overall gross profit margin for 3QFY2015 decreased to 47% (3QFY2014: 52%), as construction revenue comprised approximately 30% of the total revenue of 3QFY2015 while there was no construction revenue in 3QFY2014. Construction activities have lower profit margin as compared to operation activities in general.

### *Other income*

Other income amounted to HKD8.11 million for 3QFY2015, which remained fairly stable as compared to 3QFY2014. Other income consisted of interest income, value-added tax refund, government grant and other sundry income.

### *Administrative expenses*

Administrative expenses for 3QFY2015 were HKD49.86 million, while that for 3QFY2014 were HKD20.14 million. The increase was mainly due to the inclusion of administrative expenses of HanKore Group amounting to HKD22.99 million after the RTO. Administrative expenses mainly comprised of staff costs, rental expenses, legal and professional fees, other integration costs and foreign exchange loss.

### *Finance costs*

Finance costs for 3QFY2015 of HKD14.48 million mainly consisted of interest on bank and other borrowings (3QFY2014: HKD24.71 million). The decrease in finance costs was mainly due to the refinancing from high interest rate loans to low interest rate loans.

### *Income tax*

Income tax for 3QFY2015 mainly consisted of current PRC income tax of HKD22.39 million (3QFY2014: HKD15.95 million) and deferred tax expense of HKD20.41 million (3QFY2014: deferred tax credit of HKD0.27 million). The increase in PRC income tax was attributable to the increase of taxable income of the Group as compared with 3QFY2014. The increase in deferred tax was mainly due to the construction profits being recognised in 3QFY2015.

## **Statement of Financial Position**

### *Assets*

The total assets of the Group rose from HKD10.11 billion as at 31 December 2014 to HKD11.75 billion as at 30 September 2015, representing a growth of 16%. The increase in total assets was mainly attributable to the increase of HKD252.71 million in cash and cash equivalents, HKD1,249.96 million in current and non-current trade and other receivables, HKD218.50 million in financial receivables and HKD10.36 million in inventories, offset by the decrease of HKD72.80 million in property, plant and equipment and intangible assets.

Cash and cash equivalents increased from HKD681.10 million as at 31 December 2014 to HKD933.81 million as at 30 September 2015. The increase was due to the cash inflow from financing activities amounting to HKD1,184.29 million mainly attributable to the proceeds of share issuance and bank borrowings during this period offset by the cash outflow arising from provision of a new shareholder's loan to Dalian Dongda Water Co., Ltd. ("Dalian Dongda") amounting to HKD852.11 million ("New Shareholder's Loan") in connection with the acquisition (the "Acquisition") of the entire equity interest in Dalian Dongda by the Company. The New Shareholder's Loan was provided by the Group to Dalian Dongda to retire all outstanding debts due and owing to Dongda Group Co., Ltd. ("Dongda Group"), which was a shareholder of Dalian Dongda as at the date of entering into the Acquisition.

Financial receivables (both current and non-current) increased from HKD4.97 billion as at 31 December 2014 to HKD5.19 billion as at 30 September 2015, an increase of HKD218.50 million. The increase in financial receivables was mainly attributable to the recognition of construction revenue for the Suzhou and Nanjing Pukou water plants during this period.

Trade and other receivables (both current and non-current) of the Group increased by HKD1,249.96 million from HKD2,267.16 million as at 31 December 2014 to HKD3,517.12 million as at 30 September 2015. Trade receivables increased by HKD135.81 million to HKD399.02 million as at 30 September 2015, which was mainly due to the growth of operation services income during this period. As at 30 September 2015, other receivables of HKD3,118.10 million consisted of HKD2,048.02 million of other receivables for TOT projects in operation, and HKD1,070.08 million of prepayments, deposits and other receivables. Other receivables for TOT increased by HKD128.14 million, while prepayments, deposits and other receivables increased by HKD1,028.12 million, which were mainly due to provision of the New Shareholder's Loan amounting to HKD852.11 million and the increase in prepayment for construction work and tender deposit, respectively.

#### *Liabilities*

Total borrowings (both current and non-current) increased by HKD914.02 million. The movement was mainly due to the proceeds from bank borrowings amounting to approximately HKD1,994.30 million, and repayments made on the bank borrowings and other loans amounting to HKD1,043.64 million during this period.

Decrease of HKD93.78 million in current portion of trade and other payables was mainly due to the decrease of HKD121.65 million in payables to related parties, offset by the increase of HKD27.87 million in trade and other payables to third-parties. Non-current other payables mainly consisted of the amounts due to related parties of HKD244.04 million.

The Group was in a net current asset position of HKD716.42 million as at 30 September 2015 as compared to a net current asset position of HKD303.16 million as at 31 December 2014. The increase of HKD413.26 million was mainly attributable to the proceeds from issuance of shares during this period amounting to HKD659.03 million.

#### *Equity*

The Group's total equity amounted to HKD7.36 billion as at 30 September 2015 (31 December 2014: HKD6.55 billion). The increase was mainly due to the issuance of shares during this period. In April 2015, a total number of 120,690,957 shares were issued to the equity investors with gross proceeds of approximately SGD113,449,500, which was utilised for repayment of borrowings and as working capital to fund the growth and expansion of the Group's business.

In addition, the profit attributable to the owners of the Company for 9MFY2015 amounted to HKD300.11 million. However, the movement in foreign currency translation reserve of HKD166.73 million arising from the depreciation of Renminbi against Hong Kong dollar were recognized for this period, which partly offset the increase in equity brought by the profit for this period.

### Statement of Cash Flow

Cash and cash equivalents increased from HKD681.10 million as at 31 December 2014 to HKD933.81 million as at 30 September 2015. Cash and cash equivalents included in the consolidated statement of cash flow comprised of the following:

	<b>30 September 2015</b>	31 December 2014
	<i>HKD'000</i>	<i>HKD'000</i>
Cash and cash equivalents per statement of financial position	<b>933,812</b>	681,101
Less: Pledged bank deposits	<u><b>(401,527)</b></u>	<u>(181,770)</u>
Cash and cash equivalents per statement of cash flow	<u><b>532,285</b></u>	<u>499,331</u>

#### *Net cash flow from operating activities*

During this quarter, the Group had cash inflows of HKD152.15 million before changes in working capital (3QFY2014: HKD123.20 million). Changes in working capital and payment of income tax caused cash outflows of HKD324.65 million and HKD17.80 million respectively. As a result, the Group recorded a net cash outflow of HKD190.30 million from operating activities. The changes in working capital arose mainly from:

- (1) Increase in financial receivables of HKD87.84 million
- (2) Decrease in inventories of HKD7.04 million
- (3) Increase in trade and other receivables of HKD246.29 million
- (4) Increase in trade and other payables of HKD2.44 million

#### *Net cash flow from investing activities*

In 3QFY2015, the Group recorded a net cash outflow of HKD855.60 million from investing activities. The cash outflow was mainly resulted from provision of the New Shareholder's Loan amounting to HKD852.11 million.

#### *Net cash flow from financing activities*

The Group recorded a net cash inflow from financing activities of HKD620.66 million in 3QFY2015. The net cash inflow was caused by:

- (1) Net decrease in amount due to related parties of HKD5.73 million
- (2) Net proceeds from bank borrowings of HKD978.84 million
- (3) Interest paid of HKD14.48 million
- (4) Increase in pledged bank deposits of HKD337.97 million

#### **Subsequent events**

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

On 23 October 2015, the Company proposed a reduction of amount standing to the credit of the share premium account (the "Share Premium Reduction"), so as to utilise the credit amount arising from the Share Premium Reduction to set off against the accumulated losses of the Company.

#### **9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

None.



**10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting year and the next 12 months.**

In 9MFY2015, the new Environmental Protection Law (環境保護法) of the PRC became effective and a series of policies were issued in the PRC to support the waste water treatment industry, such as Opinions on the Implementation of the Third-Party Control of Environmental Pollution (關於推進環境污染第三方治理的意見), the Implementation Opinions on Cooperation between Government and Social Capital on Water Pollution Prevention and Treatment (關於推進水污染防治領域政府和社會資本合作的實施意見), The Water Pollution Prevention & Control Plan (水污染防治行動計劃) which is also known as the Clean Water Action Plan (水十條) and Measures for the Administration of Concession for Infrastructure and Public Utilities (基礎設施和公用事業特許經營管理辦法). It is generally expected that investment in the PRC water sector will increase following the implementation of the policies. Furthermore, the PRC government encourages the public-private partnership (PPP) model in the investment and operation of urban infrastructure, including the water sector. This will provide new market opportunities and momentum for the development of the water industry.

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

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

## **11. Dividend**

(a) *Current financial period reported on*

Nil

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

Not applicable

(c) *Date payable*

Not applicable

(d) *Books closure date*

Not applicable

## **12. If no dividend has been declared/recommendeded, a statement to that effect.**

Not applicable

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

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

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

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

On 21 April 2015, the Company issued 120,690,957 shares to International Finance Corporation and Dalvey Asset Holding Ltd at an issue price of SGD0.94 per share representing gross proceeds of approximately SGD113,449,500, which was mainly utilised for repayment of borrowings and as general working capital.

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

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

**BY ORDER OF THE BOARD**

**Wang Tianyi**

*Executive Director and Chairman*

12 November 2015