

CHINA EVERBRIGHT WATER LIMITED

Unaudited financial statements for the financial year ended 31 December 2014

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS
FY2014 Annual Results

The Board of Directors of China Everbright Water Limited (the “Company”) wishes to announce the unaudited results of the Company and its subsidiaries (collectively, the “Group”) for the financial year ended 31 December 2014.

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

	Group		Increase/ -decrease %
	FY2014 <i>HKD'000</i>	FY2013 <i>HKD'000</i>	
Revenue	1,050,755	1,290,740	-19%
Cost of sales	(454,284)	(761,478)	-40%
Gross profit	596,471	529,262	13%
Other income	13,308	10,492	27%
Administrative expenses	(77,639)	(65,714)	18%
Other operating expenses	(9,115)	(84)	10751%
Operating profit	523,025	473,956	10%
Finance income	2,022	6,798	-70%
Finance costs	(92,232)	(78,759)	17%
Profit before tax	432,815	401,995	8%
Income tax	(118,817)	(111,553)	7%
Net profit for the financial year	313,998	290,442	8%
Other comprehensive (loss)/income			
– Exchange differences on translation of financial statement of subsidiaries, net of tax	(104,205)	83,148	n.m.
Total comprehensive income for the financial year	209,793	373,590	-44%

	Group		Increase/ -decrease %
	FY2014 <i>HKD'000</i>	FY2013 <i>HKD'000</i>	
Net profit attributable to:			
Owners of the Company	292,796	266,486	10%
Non-controlling interests	21,202	23,956	-11%
	<u>313,998</u>	<u>290,442</u>	8%
Total comprehensive income attributable to:			
Owners of the Company	194,909	340,697	-43%
Non-controlling interests	14,884	32,893	-55%
	<u>209,793</u>	<u>373,590</u>	-44%

“n.m.” denotes “not meaningful”

Note 1

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

Depreciation	(13,749)	(14,243)	-3%
Amortisation of intangible assets	(10,490)	(2,945)	256%
Government grant	3,747	2,786	34%

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

	Group			Company	
	31 December	31 December	31 December	30 June	30 June
	2014	2013	2014	2014	2013
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Current Assets					
Cash and cash equivalents	681,101	290,413	103,109	36,728	316
Trade and other receivables	515,363	422,193	48,232	512	386
Tax recoverable	–	3,741	–	–	–
Financial receivables	483,143	298,234	–	–	–
Inventories	28,912	7,162	–	–	–
	<u>1,708,519</u>	<u>1,021,743</u>	<u>151,341</u>	<u>37,240</u>	<u>702</u>
Non-current Assets					
Property, plant and equipment	173,559	170,215	10	14	21
Financial receivables	4,483,539	2,149,181	–	–	–
Intangible assets	950,594	148,043	–	–	–
Goodwill	1,043,545	9,538	–	–	–
Investment in subsidiaries	–	–	9,931,051	3,070,828	2,723,134
Other receivables	1,751,793	1,891,766	–	–	–
	<u>8,403,030</u>	<u>4,368,743</u>	<u>9,931,061</u>	<u>3,070,842</u>	<u>2,723,155</u>
Current Liabilities					
Borrowings	762,718	277,771	281,248	–	–
Trade and other payables	599,843	619,999	68,795	43,944	16,701
Other financial liabilities	23,230	–	23,230	996	48,628
Provision for income tax	19,566	22,271	–	–	–
	<u>1,405,357</u>	<u>920,041</u>	<u>373,273</u>	<u>44,940</u>	<u>65,329</u>

	Group		Company		
	31 December	31 December	31 December	30 June	30 June
	2014	2013	2014	2014	2013
	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>
Net current assets/(liabilities)	303,162	101,702	(221,932)	(7,700)	(64,627)
Non-current Liabilities					
Borrowings	1,061,730	586,158	–	303,795	–
Other payables	264,325	1,587,389	–	–	–
Other financial liabilities	–	–	–	1,761	–
Deferred tax liabilities	828,977	305,503	–	–	–
	<u>2,155,032</u>	<u>2,479,050</u>	<u>–</u>	<u>305,556</u>	<u>–</u>
Net assets	<u>6,551,160</u>	<u>1,991,395</u>	<u>9,709,129</u>	<u>2,757,586</u>	<u>2,658,528</u>
Capital and Reserve					
Share capital	2,549,345	–	2,549,345	570,443	512,899
Reserves	<u>3,776,135</u>	<u>1,648,887</u>	<u>7,159,784</u>	<u>2,187,143</u>	<u>2,145,629</u>
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	<u>225,680</u>	<u>342,508</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>6,551,160</u>	<u>1,991,395</u>	<u>9,709,129</u>	<u>2,757,586</u>	<u>2,658,528</u>

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

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

31 December 2014		31 December 2013	
Secured	Unsecured	Secured	Unsecured
<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>
440,673	322,045	237,870	39,901

(ii) *Amount payable after one year*

31 December 2014		31 December 2013	
Secured	Unsecured	Secured	Unsecured
<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>
906,435	155,295	423,098	163,060

Details of Collateral

The secured borrowings of the Group as at 31 December 2014 and 31 December 2013 were secured by certain revenue, receivables and intangible assets in connection with the Group's service concession arrangements, bank deposits and fixed assets. Certain bank facilities were guaranteed by related parties of the Group.

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

	FY2014 <i>HKD'000</i>	FY2013 <i>HKD'000</i>
Cash flow from operating activities		
Profit before 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
Loss on fair valuation of cross-currency swap	5,014	–
Unrealised exchange loss/(gain)	2,855	(1,513)
Net finance costs	90,210	71,961
	<hr/>	<hr/>
Operating cash flow before working capital changes	555,133	489,715
Changes in working capital		
Financial receivables	151,664	(210,678)
Inventories	(15,726)	1,244
Trade and other receivables	36,914	(130,471)
Trade and other payables	(346,120)	149,573
	<hr/>	<hr/>
Cash generated from operations	381,865	299,383
Income tax paid	(65,261)	(55,909)
	<hr/>	<hr/>
Net cash generated from operating activities	316,604	243,474
	<hr/>	<hr/>
Cash flow from investing activities		
Purchase of property, plant and equipment	(3,432)	(12,290)
Acquisition of subsidiaries	431,535	–
Interest received	2,022	6,798
	<hr/>	<hr/>
Net cash generated from/(used in) investing activities	430,125	(5,492)
	<hr/>	<hr/>

	FY2014 <i>HKD'000</i>	FY2013 <i>HKD'000</i>
Cash flow from financing activities		
Acquisition of additional interest in a subsidiary	(113,637)	–
(Decrease)/increase in amount due to immediate holding company	(399,551)	167,455
Increase/(decrease) in amount due to intermediate holding company	397,321	(33,892)
Increase in amount due to a fellow subsidiary	8,294	2,389
Proceeds from bank borrowings	117,865	85,861
Repayment of bank borrowings	(266,619)	(313,611)
Interest paid	(92,232)	(78,759)
(Increase)/decrease in pledged bank deposits	(139,422)	4,135
Net cash used in financing activities	<u>(487,981)</u>	<u>(166,422)</u>
Net increase in cash and cash equivalents	258,748	71,560
Cash and cash equivalents at the beginning of the year	246,945	170,552
Effect of exchange rate changes on cash and cash equivalents	<u>(6,362)</u>	<u>4,833</u>
Cash and cash equivalents at the end of the year	<u>499,331</u>	<u>246,945</u>

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

	Share Capital <i>HKD'000</i>	Share Premium <i>HKD'000</i>	Foreign Currency Translation Reserve <i>HKD'000</i>	Statutory Reserve <i>HKD'000</i>	Other Reserve* <i>HKD'000</i>	Accumulated Profit/(loss) <i>HKD'000</i>	Non- controlling Interests <i>HKD'000</i>	Total <i>HKD'000</i>
Group								
Balance at 1 January 2014	-	-	344,486	71,979	-	1,232,422	342,508	1,991,395
Net profit for the year	-	-	-	-	-	292,796	21,202	313,998
Other comprehensive income for the year	-	-	(97,887)	-	-	-	(6,318)	(104,205)
Acquisition of additional interests in a subsidiary	-	-	19,972	-	(2,181)	-	(131,428)	(113,637)
Conversion of shareholder's loan to equity	-	1,210,050	-	-	-	-	-	1,210,050
Transfer to statutory reserve	-	-	-	23,020	-	(23,020)	-	-
Acquisition of subsidiaries	609,076	704,498	-	-	-	-	(284)	1,313,290
Issue of shares pertaining to reverse-takeover transaction	1,940,269	-	-	-	-	-	-	1,940,269
Balance at 31 December 2014	<u>2,549,345</u>	<u>1,914,548</u>	<u>266,571</u>	<u>94,999</u>	<u>(2,181)</u>	<u>1,502,198</u>	<u>225,680</u>	<u>6,551,160</u>
Balance at 1 January 2013	-	-	270,275	52,366	-	985,549	309,615	1,617,805
Net profit for the year	-	-	-	-	-	266,486	23,956	290,442
Other comprehensive income for the year	-	-	74,211	-	-	-	8,937	83,148
Transfer to statutory reserve	-	-	-	19,613	-	(19,613)	-	-
Balance at 31 December 2013	<u>-</u>	<u>-</u>	<u>344,486</u>	<u>71,979</u>	<u>-</u>	<u>1,232,422</u>	<u>342,508</u>	<u>1,991,395</u>

Company	Share	Share	Foreign	Statutory	Other	Accumulated	Non-	Total
	Capital	Premium	Currency	Reserve	Reserve*	Profit/(loss)	controlling	
	HKD'000	HKD'000	Translation	Reserve	Reserve*	Profit/(loss)	Interests	HKD'000
			Reserve	Reserve	Reserve*	Profit/(loss)	Interests	HKD'000
Balance at 1 July 2014	570,443	1,778,812	-	-	41,223	367,108	-	2,757,586
Net loss for the year	-	-	-	-	-	(4,797,426)	-	(4,797,426)
Other comprehensive income	-	-	(59,686)	-	-	-	-	(59,686)
Share-based payment transactions	-	-	-	-	23,731	-	-	23,731
Issue of employee share options	38,633	101,021	-	-	-	-	-	139,654
Issue of ordinary shares relating to acquisition of subsidiaries	1,940,269	9,705,001	-	-	-	-	-	11,645,270
Balance at 31 December 2014	<u>2,549,345</u>	<u>11,584,834</u>	<u>(59,686)</u>	<u>-</u>	<u>64,954</u>	<u>(4,430,318)</u>	<u>-</u>	<u>9,709,129</u>
Balance at 1 July 2013	512,899	1,526,949	-	-	-	618,680	-	2,658,528
Net loss for the year	-	-	-	-	-	(251,572)	-	(251,572)
Share-based payment transactions	-	-	-	-	41,223	-	-	41,223
Issue of ordinary shares related to business combination	18,030	131,999	-	-	-	-	-	150,029
Exercise of warrants	10,233	60,762	-	-	-	-	-	70,995
Issue of new shares	29,281	59,102	-	-	-	-	-	88,383
Balance at 30 June 2014	<u>570,443</u>	<u>1,778,812</u>	<u>-</u>	<u>-</u>	<u>41,223</u>	<u>367,108</u>	<u>-</u>	<u>2,757,586</u>

* Includes share option reserve, capital reserve and other reserves

In accordance with International Accounting Standard 27 Separate financial statements, the cost of investment in China Everbright Water Investments Limited (“CEWIL”) was recognised on the balance sheet of the Company using the share price as at the date of completion of the reverse-takeover (“RTO”). Based on the share price on that date, the cost of investment in CEWIL was recorded at HKD11.6 billion. An impairment loss amounting to HKD4.7 billion was recognised on the same date as the cost of investment calculated using share price was more than the fair value of CEWIL determined based on the valuations performed by two independent valuers. There is no impact on the financial statements of the Group arising from this impairment loss. The accumulated losses resulted from the impairment loss could be written-off using the credit arising from cancellation of the share capital of the Company or other means as deemed fit.

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 previous period 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.**

Change in the Company’s share capital

The share options issued pursuant to the Company’s Employee’s Share Option Plan have been fully exercised during the last quarter of the year. A total number of 36,508,606 shares have been issued.

Pursuant to the approval of Shareholders obtained at the special general meeting of the Company held on 5 December 2014 in relation to the Proposed Acquisition and fulfillment/waiver of certain conditions of the RTO as set out in the Circular to Shareholders, the RTO was completed on 12 December 2014. Pursuant to the Completion, the Company has allotted and issued 1,940,269,305 Consideration Shares to the Vendor, China Everbright Water Holdings Limited (“CEWHL”) to satisfy the Consideration for the Proposed Acquisition.

Issued share capital

Ordinary share capital	No. of shares (’000)
At 30 June 2014 and 30 September 2014	510,483
Issue of shares pertaining to exercise of employees’ share options	36,509
Issue of shares pertaining to the RTO	<u>1,940,269</u>
At 31 December 2014	<u><u>2,487,261</u></u>

As at 30 June 2014, 30 September 2014 and 31 December 2014, the total number of outstanding warrants is 263,462.

The Company does not have any outstanding convertibles, preference shares and treasury shares for the financial quarter ended 31 December 2013 and 31 December 2014, and the financial year ended 31 December 2013 and 31 December 2014, except for outstanding warrants of 263,462.

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

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

	31 December	30 June
	2014	2014
Total number of issued shares excluding treasury shares ('000)	<u>2,487,261</u>	<u>510,483</u>

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

The figures have not been audited or reviewed by the Company's auditors. However, our auditors have performed certain procedures under the requirements of Singapore Standard on Related Services (SSRS) 4400 – Engagements to Perform Agreed-upon Procedures Regarding Financial Information. These procedures do not constitute either an audit or a review made in accordance with Singapore Standards on Auditing or Singapore Standards on Review Engagements.

3. Whether 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.

There is no change in accounting policies, except that the presentation currency of the Company has changed from Renminbi ("RMB") to Hong Kong Dollar ("HKD").

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

The change of presentation currency of the Company is to align with the presentation currency of its holding company, China Everbright International Limited. The change of presentation currency has no significant impact on the financial position of the Group as at 31 December 2014 and 2013, or the results and cash flows for the years ended 31 December 2014 and 2013.

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

Basic/Diluted earnings per share	FY2014	FY2013
Profit attributable to owners of the Company (HKD'000)	292,796	266,486
Weighted average number of ordinary shares in issue ('000)	1,985,851	1,940,269
Basic/Diluted earnings per share (HKD)	<u>0.15</u>	<u>0.14</u>

For the purpose of calculation of earnings per share, the weighted average number of shares in issue for FY2013 is deemed as 1,940,269,305 shares.

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

	Group		Company	
	31 December 2014 HKD	31 December 2013 HKD	31 December 2014 HKD	30 June 2014 HKD
Net asset value per ordinary share based on the existing issued share capital as at the respective year	<u>2.63</u>	<u>1.03</u>	<u>3.90</u>	<u>1.42</u>

Net asset value per ordinary share was computed based on the share capital of 2,487,261,276 shares as at 31 December 2014. For the purpose of NAV per share calculation, the number of shares as at 31 December 2013 and 30 June 2014 is deemed as 1,940,269,305 shares.

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

Overview

On 12 December 2014, the Company was reverse-taken over by China Everbright International Limited and, subsequently changed its name to China Everbright Water Limited. The Company owns and operates a total of 32 waste-water treatment plants (with a designed capacity of approximately 3,400,000 tons per day), 4 reusable water projects (with a designed capacity of approximately 62,000 tons per day), 2 waste-water source heat pump projects which service an area covering approximately 125,000 square meters, 2 completed Build-Transfer projects (with a designed capacity of approximately 110,000 tons per day), 56km pipeline network and 10 pump stations.

Subsequent to the completion of the RTO, the board of directors of the Company have approved the change of financial year end to 31 December and the change of presentation currency to HKD. As such, the balance sheet of the Group reflects assets and liabilities of the enlarged Group (CEWIL and HanKore Environment Tech Group Limited ("HanKore")) as at 31 December 2014 while the income statement and cash flow statement of the Group reflects the earnings of CEWIL for the year from 1 January 2014 to 31 December 2014 and the results of HanKore for the period from 12 December 2014 to 31 December 2014. The comparative consolidated balance sheet, consolidated income statement and consolidated cash flow statement of the Group reflects those of CEWIL's for the full year ended 31 December 2013. The fair value of assets and liabilities of HanKore as at completion date of the RTO was assessed by an independent professional valuer.

For the financial year ended 31 December 2014, the revenue of the Group has decreased by 19% to HKD1.1 billion compared with the revenue of HKD1.3 billion for FY2013. Gross profit of the Group increased from HKD529.2 million to HKD596.5 million from FY2013 to FY2014, an increment of 13%. Gross profit margin of the Group has improved from 41% to 56.7%. The net profit of the Group increased from HKD290.4 million to HKD314.0 million from FY2013 to FY2014, an increment of 8%.

Statement of Comprehensive Income

Revenue

Revenue has decreased by approximately HKD240.0 million or 19% from HKD1.3 billion in FY2013 to HKD1.1 billion in FY2014, attributable mainly to a decrease of HKD343.3 million in construction revenue from service concession arrangement from HKD449.8 million in FY2013 to HKD106.5 million in FY2014 as a few of our construction projects were completed and began operation in FY2013. While the decrease in construction revenue was offset by an increase of HKD103.3 million in operation service revenue, finance income and construction contract (EPC) revenue.

Cost of sales

The cost of sales has decreased by HKD307.2 million or 40% from HKD761.5 million in FY2013 to HKD454.3 million in FY2014. The decrease in cost of sales is mainly due to decrease in construction activities relating to service concession arrangement. Overall gross profit margin increased to 56.7% (FY2013: 41.0%). The increase in gross profit margin is mainly due to, as compared with FY2013, a change in revenue mix with operation service income, which has a higher gross profit margin, accounting for a higher proportion of revenue in FY2014.

Other income

Other income has increased by 27% to HKD13.3 million as compared with HKD10.5 million in FY2013. The increase of other income is mainly due to increase in government grant received during the year.

Administrative expenses

Administrative expense has increased by 18% from HKD65.7 million in FY2013 to HKD77.6 million in FY2014. The increase in administrative expense of HKD11.9 million is mainly attributable to consolidation of post-acquisition expenses of HanKore amounting to HKD10.4 million and an increase of HKD1.5 million caused by increase in operating activities.

Other operating expenses

Other operating expense amounted to HKD9.1 million during the financial year. Other operating expense mainly consists of net exchange loss of HKD2.9 million, which consists of exchange gain on revaluation of notes payable amounting to HKD3.6 million and exchange loss of HKD6.5 million resulting from revaluation of monetary assets, and fair value loss on cross-currency swap amounting to HKD5.0 million. The remaining increment of other operating expense is attributable to the consolidation of post-acquisition expense of HanKore.

Finance costs

Finance cost has increased by HKD13.4 million from HKD78.8 million in FY2013 to HKD92.2 million in FY 2014. The increase in finance cost is due to increase in interest on bank borrowings amounting to HKD14.0 million, which includes HKD9.1 million arising from consolidation of HanKore. The increase in finance cost caused by increment of bank borrowing cost was slightly offset by a decrease in interest paid to related parties amounting to HKD0.6 million.

Income tax

The income tax mainly consists of current tax payables of HKD66.7 million (FY2013: HKD58.9 million) and deferred tax expense of HKD52.1 million (FY2013: HKD52.7 million). The increase in income tax is attributable to increase of taxable income of the Group as compared with FY2013.

Other comprehensive loss

As the functional currency of foreign subsidiaries of the Group is mainly RMB, a loss on the translation of financial statements of foreign subsidiaries into the presentation currency, HKD, has been recognised as other comprehensive loss amounting to HKD104 million. The loss on translation of financial statements in foreign currency is mainly due to appreciation of HKD against RMB during the financial year.

Statement of Financial Position

Assets

The total assets of the Group has increased from HKD5.4 billion as at 31 December 2013 to HKD10.1 billion as at 31 December 2014. The increase in total assets is mainly attributable to consolidation of HanKore after the completion of reverse-takeover on 12 December 2014. The increase in total assets is mainly due to increase in intangible assets of HKD0.8 billion, increase in goodwill of HKD1.0 billion, increase in cash and cash equivalents of HKD0.4 billion, increase in financial receivable of HKD2.52 billion and increase in inventory of HKD22 million. The increase in total assets was offset by decrease in trade and other receivable amounting to HKD50.5 million.

The Group has engaged an independent professional valuer to conduct a Purchase Price Allocation (“PPA”) exercise on fair value of the assets and liabilities of HanKore Group as at the completion date of the RTO transaction. Based on the preliminary results from PPA exercise, intangible assets relating to service concession arrangement and goodwill amounting to HKD0.8 billion and HKD1.0 billion have been recognised respectively.

Cash and cash equivalents increased from HKD290.4 million as at 31 December 2013 to HKD681.1 million as at 31 December 2014. The increase is due to increase in cash and cash equivalent from operating activities amounting to HKD316.6 million and from investing activities amounting to HKD430.1 million. The increase in cash and cash equivalents was offset by cash outflow of HKD349.6 million used in financing activities, excluding change in pledged bank deposits. The net increase in cash and cash equivalents was reduced by foreign exchange difference of HKD6.4 million.

Financial receivables (including current and non-current) increased from HKD2.45 billion to HKD4.97 billion as at 31 December 2014, an increase of HKD2.52 billion. The increase in financial receivables is mainly attributable to consolidation of financial receivables balance of HanKore Group after taking PPA adjustments into account.

The trade and other receivables of the Group decreased by HKD50.5 million from HKD2.32 billion as at 31 December 2013 to HKD2.27 billion as at 31 December 2014. The decrease is mainly due to receipt of amount due from intermediate holding company amounting to HKD170.5 million, receipt of a loan receivable due from an unrelated party amounting to HKD51.1 million and decrease of HKD14.5 million in other receivables relating to Transfer-Operate-Transfer projects. The decrease in trade and other receivable was offset by consolidation of trade and other receivable balances of HanKore Group amounting to HKD185.6 million.

Liabilities

Current and non-current borrowings increased by HKD960.5 million from HKD863.9 million as at 31 December 2013 to HKD1,824.4 million as at 31 December 2014. This is mainly attributable to the consolidation of HanKore Group, which has carrying amount of borrowing of HKD1,136.7 million. The increase in borrowing was offset by a net repayment made amounting to HKD148.8 million and effect arising from translation of balances in foreign currency amounting to HKD27.4 million.

Decrease of HKD1.3 billion in trade and other payables is mainly attributable to the conversion of a loan from immediate holding company to share capital amounting to HKD1.2 billion, payment made relating to construction work done during FY2013 and FY2014 amounting to HKD346.1 million and decrease in accrued expenses of HKD29.7 million. The decrease is offset by consolidation of trade and other payable balances of HanKore Group amounting to HKD275.8 million.

The increase in deferred tax liabilities of HKD523.5 million is mainly due to the recognition of deferred tax expense of HKD52.1 million, consolidation of deferred tax balances of HanKore Group amounting to HKD320.7 million and the deferred tax liabilities of HKD162.0 million recognised from fair value adjustment based on the preliminary PPA results. The increase in deferred tax liabilities was reduced by foreign exchange translation difference of HKD11.3 million.

Equity

Share capital and reserves increased by HKD2.5 billion and HKD2.1 billion respectively. The increase is mainly due to the recognition of share capital and share premium pursuant to the reverse-takeover transaction amounting to HKD2.5 billion and HKD0.7 billion. Share premium amounting to HKD1.2 billion was also recognised due to conversion of loan from immediate holding company to share capital. The remaining increase in reserve is from recognition of profit attributable to owners of the Company.

Cash Flow Statement

The cash and cash equivalents balance increased to HKD681.1 million as at 31 December 2014 compared to the balance of HKD290.4 million as at 31 December 2013. Cash and cash equivalents included in consolidated statement of cash flow comprise of the following:

	FY2014 <i>HKD'000</i>	FY2013 <i>HKD'000</i>
Cash and cash equivalents per statement of financial position	681,101	290,413
Less: Pledged bank deposits	<u>(181,770)</u>	<u>(43,468)</u>
Cash and cash equivalents per statement of cash flow	<u>499,331</u>	<u>246,945</u>

Net cash flow from operating activities

The Group has a cash inflow of HKD555.1 million before changes in working capital. Changes in working capital and payment of income tax has caused a cash outflow of HKD173.2 million and HKD65.3 million respectively. As a result, the Group has recorded a net cash inflow of HKD316.6 million from operating activities. The changes in working capital arose mainly from:

- (1) Decrease in financial receivable of HKD151.7 million
- (2) Increase in inventory and work in progress of HKD15.7 million
- (3) Decrease in trade and other receivable of HKD36.9 million
- (4) Decrease in trade and other payable of HKD346.1 million

Net cash from investing activities

For the financial year ended 31 December 2014, the Group has recorded a net cash inflow of HKD430.1 million from investing activities. The cash inflow amounting to HKD430.6 million was resulted from acquisition of HanKore Group through reverse-takeover.

Net cash from financing activities

The Group has recorded a net cash outflow from financing activities of HKD488.0 million for the financial year ended 31 December 2014. The net cash outflow was caused by:

- (1) Amount paid of HKD113.6 million for the acquisition of additional interest in a subsidiary
- (2) Net increase in amount due to related parties of HKD6.1 million
- (3) Net repayment of borrowings of HKD148.8 million
- (4) Interest paid of HKD92.2 million
- (5) Increase in pledged bank deposits of HKD139.4 million

Subsequent events

- (1) On 19 January 2015, the Company entered into subscription agreements with each of 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 subscription 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 and other matters in connection with or arising out of the subscriptions is subject to shareholder approval at a special general meeting.
- (2) The Company announced on 2 February 2015 that S\$21,750,000 of the principal amount of S\$50,000,000 7.5% fixed rate notes (the “Notes”) due on 1 August 2015 together with the accrued interest shall be paid on 2 March 2015. This is due to an exercise of redemption rights by the holders on or before 29 January 2015. Together with the redemption, the total principal amount of Notes redeemed up to 29 January 2015 is S\$21,750,000. Following the repayment in relation to the redemption on 2 March 2015, the aggregate principal amount of Notes remaining outstanding will be S\$28,250,000.

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 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”, 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. Recently, Chinese Ministry of Finance and the National Development and Reform Commission have unveiled the sewage 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.

Riding on the favourable trend, the Group will expedite to expand market share with its sound resources and strive to be one of the leading water companies in China within the next two to three years.

11. Dividend

(a) Current financial year reported on

Nil

(b) Corresponding year 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.

No IPT general mandate has been obtained from the shareholders for the financial year ended 31 December 2014 and 31 December 2013.

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

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

Not applicable. The Group has only one operating segment.

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

Not applicable.

- 16. A breakdown of revenue**

	FY2014	FY2013	Increase/ -decrease
	<i>HKD’000</i>	<i>HKD’000</i>	
Revenue reported for first half year	505,837	574,407	-12%
Net profit for first half year	178,190	133,711	33%
Revenue reported for second half year	544,918	716,333	-24%
Net profit for second half year	135,808	156,731	-13%

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

	FY2014	FY2013	Increase/ -decrease
	<i>HKD’000</i>	<i>HKD’000</i>	
Ordinary	–	–	n.m.
Preference	–	–	n.m.
Total	<u>–</u>	<u>–</u>	

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

There is no person occupying a managerial position in the Company or its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the Company for the financial year ended 31 December 2014 and 31 December 2013.

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

On 12 December 2014, pursuant to the Completion of the Proposed Acquisition, the Company has allotted and issued 1,940,269,305 consideration shares to the Vendor, CEWHL, in satisfaction of the consideration for the Proposed Acquisition. No cash has been received from issue of consideration shares.

BY ORDER OF THE BOARD

Wang Tianyi

Executive Director, Vice-Chairman and Chief Executive Officer

26 February 2015