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CHINA EVERBRIGHT INTERNATIONAL LIMITED

中國光大國際有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 257)

INSIDE INFORMATION – RESULTS ANNOUNCEMENT OF A SUBSIDIARY

This announcement is made by China Everbright International Limited (the “Company”) pursuant to Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Pursuant to Rule 705 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX”), China Everbright Water Limited (“CEWL”), a public company listed on the SGX and a 74.62% owned subsidiary of the Company, announced the unaudited consolidated results of CEWL and its subsidiaries for the first quarter ended 31 March 2016 on the website of www.sgx.com of SGX on 13 May 2016.

The attachment is the results announcement of CEWL presented in thousands of Hong Kong dollars unless otherwise stated and the English version of the results announcement shall prevail over the Chinese version.

By Order of the Board
China Everbright International Limited
Wong Kam Chung, Raymond
Executive Director

Hong Kong, 13 May 2016

As at the date of this announcement, the Board comprises: (i) six executive directors, namely Mr. Tang Shuangning (Chairman), Mr. Liu Jun (Vice-chairman), Mr. Chen Xiaoping (Chief Executive Officer), Mr. Wang Tianyi, Mr. Wong Kam Chung, Raymond and Mr. Cai Shuguang; and (ii) four independent non-executive directors, namely Mr. Fan Yan Hok, Philip, Mr. Mar Selwyn, Mr. Li Kwok Sing, Aubrey and Mr. Zhai Haitao.

CHINA EVERBRIGHT WATER LIMITED

The board of directors of China Everbright Water Limited (the “Company”) announces the unaudited financial results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2016 (“1QFY2016”).

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 %
	1QFY2016 <i>HKD'000</i>	1QFY2015 <i>HKD'000</i>	
Revenue	657,240	436,326	51%
Cost of sales	<u>(420,875)</u>	<u>(218,687)</u>	92%
Gross profit	236,365	217,639	9%
Other income	30,703	8,614	256%
Administrative expenses	<u>(68,145)</u>	<u>(45,774)</u>	49%
Operating profit	198,923	180,479	10%
Finance income	1,065	421	153%
Finance costs	<u>(46,475)</u>	<u>(37,124)</u>	25%
Profit before tax	153,513	143,776	7%
Income tax	<u>(47,414)</u>	<u>(39,129)</u>	21%
Net profit for the period	106,099	104,647	1%
Other comprehensive income	<u>1,078</u>	<u>4,713</u>	-77%
Total comprehensive income for the financial period	<u>107,177</u>	<u>109,360</u>	-2%

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		
	1QFY2016	1QFY2015	Increase/ -decrease
	<i>HKD'000</i>	<i>HKD'000</i>	%
Net profit attributable to:			
Owners of the Company	103,143	100,861	2%
Non-controlling interests	2,956	3,786	-22%
	<u>106,099</u>	<u>104,647</u>	1%
Total comprehensive income attributable to:			
Owners of the Company	104,234	105,019	-1%
Non-controlling interests	2,943	4,341	-32%
	<u>107,177</u>	<u>109,360</u>	-2%

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

	Group		
	1QFY2016	1QFY2015	Increase/ -decrease
	<i>HKD'000</i>	<i>HKD'000</i>	%
Depreciation	3,788	4,749	-20%
Amortisation of intangible assets ¹	20,128	13,279	52%
Interest expenses on:			
related party bank borrowings	705	1,674	-58%
other bank borrowing and notes payable	43,088	31,548	37%
amounts due to group companies	2,682	3,902	-31%

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

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

	Group		Company	
	31 March 2016 HKD'000	31 December 2015 HKD'000	31 March 2016 HKD'000	31 December 2015 HKD'000
Current Assets				
Inventories	10,383	10,689	–	–
Trade and other receivables	840,348	641,525	1,998,392	1,672,655
Service concession financial receivables	848,884	893,423	–	–
Cash and cash equivalents	1,739,367	1,768,990	1,210	7,248
	<u>3,438,982</u>	<u>3,314,627</u>	<u>1,999,602</u>	<u>1,679,903</u>
Non-current Assets				
Property, plant and equipment	160,861	162,587	1	3
Intangible assets	1,419,245	1,440,075	–	–
Goodwill	1,268,767	1,268,925	–	–
Investment in subsidiaries	–	–	9,532,114	9,533,310
Other receivables	29,242	39,525	16,023	21,120
Service concession financial receivables	7,866,686	7,713,209	–	–
	<u>10,744,801</u>	<u>10,624,321</u>	<u>9,548,138</u>	<u>9,554,433</u>
Current Liabilities				
Borrowings	2,681,762	2,394,574	1,194,116	1,000,073
Trade and other payables	579,140	475,430	21,204	25,450
Current tax liabilities	44,723	52,278	–	–
	<u>3,305,625</u>	<u>2,922,282</u>	<u>1,215,320</u>	<u>1,025,523</u>

	Group		Company	
	31 March 2016	31 December 2015	31 March 2016	31 December 2015
	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>
Net Current Assets	133,357	392,345	784,282	654,380
Non-current Liabilities				
Borrowings	2,183,357	2,423,663	348,930	193,813
Deferred tax liabilities	1,068,384	1,055,223	–	–
Other payables	243,359	240,760	–	–
	3,495,100	3,719,646	348,930	193,813
Net Assets	7,383,058	7,297,020	9,983,490	10,015,000
Equity				
Share capital	2,662,305	2,670,098	2,662,305	2,670,098
Reserves	4,481,733	4,390,845	7,321,185	7,344,902
Equity attributable to owners of the Company	7,144,038	7,060,943	9,983,490	10,015,000
Non-controlling interests	239,020	236,077	–	–
	7,383,058	7,297,020	9,983,490	10,015,000

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

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

As at 31 March 2016		As at 31 December 2015	
Secured	Unsecured	Secured	Unsecured
<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>
663,037	2,018,725	1,169,865	1,224,709

(ii) *Amount payable after one year*

As at 31 March 2016		As at 31 December 2015	
Secured	Unsecured	Secured	Unsecured
<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>
1,482,876	700,481	1,069,413	1,354,250

Details of Collateral

The secured borrowings of the Group as at 31 March 2016 and 31 December 2015 were secured by certain property, plant and equipment, revenue, receivables and intangible assets in connection with the Group's service concession arrangements and certain bank deposits.

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

	1QFY2016 <i>HKD'000</i>	1QFY2015 <i>HKD'000</i>
Cash flow from operating activities		
Profit before tax	153,513	143,776
Adjustments for:		
Depreciation of property, plant and equipment	3,788	4,749
Amortisation of intangible assets	20,128	13,279
Effect of foreign exchange rates changes	2,272	3,665
Net finance costs	45,410	36,703
Operating cash flow before working capital changes	225,111	202,172
Changes in working capital:		
Service concession financial receivables	(110,017)	(81,774)
Trade and other receivables	(188,625)	(225,484)
Trade and other payables	103,770	(46,776)
Inventories	305	(10,867)
Cash generated from/(used in) operations	30,544	(162,729)
Income tax paid	(41,261)	(15,164)
Net cash used in operating activities	(10,717)	(177,893)
Cash flow from investing activities		
Purchase of property, plant and equipment	(2,082)	(1,534)
Interest received	1,065	421
Net cash used in investing activities	(1,017)	(1,113)

	1QFY2016 <i>HKD'000</i>	1QFY2015 <i>HKD'000</i>
Cash flow from financing activities		
Payment of share buy-back	(21,139)	–
Proceeds from bank borrowings	1,039,038	132,560
Repayment of bank borrowings	(991,720)	(238,050)
(Increase)/decrease in restricted bank deposits	(310,160)	31,635
Increase/(decrease) in amount due to intermediate holding companies	745	(27,800)
Increase in amount due to a fellow subsidiary	1,884	2,791
Interest paid	(46,475)	(37,124)
	<u>(327,827)</u>	<u>(135,988)</u>
Net cash used in financing activities		
	(327,827)	(135,988)
Net decrease in cash and cash equivalents	(339,561)	(314,994)
Cash and cash equivalents at the beginning of the period	1,288,550	499,331
Effect of exchange rate changes on cash and cash equivalents	(162)	1,685
	<u>948,827</u>	<u>186,022</u>
Cash and cash equivalents at end of the period		

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 HKD'000	Share premium HKD'000	Foreign currency translation reserve HKD'000	Statutory reserve HKD'000	Contributed surplus reserve HKD'000	Other reserves HKD'000	Retained earnings HKD'000	Total HKD'000	Non- controlling interests HKD'000	Total equity HKD'000
Group										
At 1 January 2016	2,670,098	1,210,050	(63,971)	121,317	1,243,508	(2,181)	1,882,122	7,060,943	236,077	7,297,020
Profit for the period	-	-	-	-	-	-	103,143	103,143	2,956	106,099
Foreign currency translation differences	-	-	1,091	-	-	-	-	1,091	(13)	1,078
Share buy-back	(7,793)	-	-	-	(13,346)	-	-	(21,139)	-	(21,139)
At 31 March 2016	<u>2,662,305</u>	<u>1,210,050</u>	<u>(62,880)</u>	<u>121,317</u>	<u>1,230,162</u>	<u>(2,181)</u>	<u>1,985,265</u>	<u>7,144,038</u>	<u>239,020</u>	<u>7,383,058</u>
At 1 January 2015	2,549,345	1,914,548	266,571	94,999	-	(2,181)	1,502,198	6,325,480	225,680	6,551,160
Profit for the period	-	-	-	-	-	-	100,861	100,861	3,786	104,647
Foreign currency translation differences	-	-	4,158	-	-	-	-	4,158	555	4,713
At 31 March 2015	<u>2,549,345</u>	<u>1,914,548</u>	<u>270,729</u>	<u>94,999</u>	<u>-</u>	<u>(2,181)</u>	<u>1,603,059</u>	<u>6,430,499</u>	<u>230,021</u>	<u>6,660,520</u>
Company										
At 1 January 2016	2,670,098	-	(486,879)	-	7,653,288	64,953	113,540	10,015,000	-	10,015,000
Loss for the period	-	-	-	-	-	-	(9,141)	(9,141)	-	(9,141)
Foreign currency translation differences	-	-	(1,230)	-	-	-	-	(1,230)	-	(1,230)
Share buy-back	(7,793)	-	-	-	(13,346)	-	-	(21,139)	-	(21,139)
At 31 March 2016	<u>2,662,305</u>	<u>-</u>	<u>(488,109)</u>	<u>-</u>	<u>7,639,942</u>	<u>64,953</u>	<u>104,399</u>	<u>9,983,490</u>	<u>-</u>	<u>9,983,490</u>
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)
Foreign currency translation differences	-	-	49,162	-	-	-	-	49,162	-	49,162
At 31 March 2015	<u>2,549,345</u>	<u>11,584,834</u>	<u>(10,524)</u>	<u>-</u>	<u>-</u>	<u>64,953</u>	<u>(4,449,654)</u>	<u>9,738,954</u>	<u>-</u>	<u>9,738,954</u>

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

	No. of ordinary shares issued (’000)
At 31 December 2015	2,608,014
Share buy-back during the period	<u>(7,793)</u>
At 31 March 2016	<u>2,600,221</u>

The Company does not have any outstanding convertibles, preference shares and treasury shares as at 31 March 2016. The decrease in the Company’s share capital during the period was due to the share buy-back of an aggregate of 7,793,400 shares in January 2016.

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

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

	31 March 2016	31 December 2015
Total number of issued shares excluding treasury shares ('000)	<u>2,600,221</u>	<u>2,608,014</u>

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

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

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

Not applicable

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

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

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

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

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

Basic/diluted earnings per share	1QFY2016	1QFY2015
Profit attributable to owners of the Company (<i>HKD'000</i>)	103,143	100,861
Weighted average number of ordinary shares in issue (<i>million</i>)	2,602	2,487
Basic/diluted earnings per share (<i>HKD</i>)	<u>0.040</u>	<u>0.041</u>

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

	Group		Company	
	31 March 2016 <i>HKD</i>	31 December 2015 <i>HKD</i>	31 March 2016 <i>HKD</i>	31 December 2015 <i>HKD</i>
Net asset value per ordinary share based on the existing issued share capital as at the respective period	<u>2.75</u>	<u>2.71</u>	<u>3.84</u>	<u>3.84</u>

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

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group’s business. It must include a discussion of any significant factors that 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 1QFY2016, the revenue of the group increased by 51% to HKD657.24 million compared with the revenue of HKD436.33 million in 1QFY2015. Gross profit of the Group increased from HKD217.64 million in 1QFY2015 to HKD236.37 million in 1QFY2016, representing an increase of 9%. The net profit of the Group increased from HKD104.65 million in 1QFY2015 to HKD106.10 million in 1QFY2016, representing a slight rise of 1%. The net profit attributable to the shareholders of the Company in 1QFY2016 amounted to HKD103.14 million, which increased by 2% over 1QFY2015.

Statement of Comprehensive Income

Revenue

Revenue increased by 51% from HKD436.33 million in 1QFY2015 to HKD657.24 million in 1QFY2016. The increase was mainly attributable to the increase of HKD203.05 million in construction revenue, HKD17.86 million in operation services income and finance income. The increase in revenue from construction of waste water treatment plants was mainly attributable to the expansion and upgrading of several Build-Operate-Transfer (“BOT”) projects which were under construction during 1QFY2016. The increase in operation services income and finance income was mainly due to the effect of inclusion of Dalian Dongda after the acquisition.

Cost of sales

Cost of sales increased by 92% from HKD218.69 million in 1QFY2015 to HKD420.88 million in 1QFY2016. The increase was mainly due to the increase of construction services resulting in increase of construction cost, which was in line with the increase of construction revenue. Construction revenue comprised approximately 52% of total revenue in 1QFY2016 (1QFY2015: 32%). The procurement and installation services in the construction services are performed by the in-house engineering company and usually generate additional cost savings for the Group. There were much larger portion of such services rendered in 1QFY2015 as compared with 1QFY2016 and hence reduced the cost of sales in 1QFY2015. These factors accounted for the higher increase of percentage of cost of sales as compared to the percentage growth of revenue.

Gross profit margin

Overall gross profit margin in 1QFY2016 decreased to 36% (1QFY2015: 50%), which was mainly due to a larger portion of construction revenue recognised in the mix of the total revenue of 1QFY2016 as compared to 1QFY2015. Construction revenue comprised approximately 52% of total revenue in 1QFY2016 (1QFY2015: 32%). Construction services have lower gross profit margin as compared to operation services in general. Moreover, the changes in value-added tax policy which was implemented with effect from 1 July 2015, had unfavorable impact on gross profit margin. Such unfavorable impact was partly mitigated by the value-added tax refund.

Other income

Other income increased by 256% to HKD30.70 million in 1QFY2016 as compared with HKD8.61 million in 1QFY2015. Other income mainly consisted of value-added tax refund, government grant and other sundry income. The increase of other income was mainly due to increase in value-added tax refund of HKD29.27 million during 1QFY2016.

Administrative expenses

Administrative expenses increased by 49% from HKD45.77 million in 1QFY2015 to HKD68.15 million in 1QFY2016. The increase was mainly attributable to the business expansion of the Group, including scale expansion and upgrading of several existing projects and acquisition of Dalian Dongda, which resulted in increase of staff costs, marketing expenses and other operating expenses. Administrative expenses mainly consisted of staff costs, rental expenses, foreign exchange differences and legal and professional fees.

Finance costs

Finance costs increased by HKD9.36 million from HKD37.12 million in 1QFY2015 to HKD46.48 million in 1QFY2016. The increase was in line with the increase of borrowings. Meanwhile, the increase in finance costs was partly mitigated by refinancing of high interest rate loans by low interest rate loans.

Income tax

Income tax expense in 1QFY2016 mainly consisted of current PRC income tax of HKD33.71 million (1QFY2015: HKD26.11 million) and deferred tax expense of HKD13.70 million (1QFY2015: HKD13.02 million). The increase in income tax was attributable to increase of taxable income of the Group as compared with 1QFY2015.

Statement of Financial Position

Assets

The total assets of the Group increased from HKD13.94 billion as at 31 December 2015 to HKD14.18 billion as at 31 March 2016, representing a growth of 2%. The increase in total assets was mainly attributable to the increase of service concession financial receivables and current trade and other receivables.

Cash and cash equivalents decreased from HKD1.77 billion as at 31 December 2015 to HKD1.74 billion as at 31 March 2016. The decrease was mainly due to the cash outflow amounting to HKD21.14 million for payment of share buy-back during 1QFY2016.

Service concession financial receivables (including both current and non-current) increased from HKD8.61 billion as at 31 December 2015 to HKD8.72 billion as at 31 March 2016, an increase of HKD0.11 billion. The increase in service concession financial receivables was mainly attributable to the recognition of construction revenue for several water plants during the current financial period.

Trade and other receivables (including both current and non-current) of the Group increased by HKD188.54 million from HKD681.05 million as at 31 December 2015 to HKD869.59 million as at 31 March 2016. Trade receivables increased by HKD192.65 million to HKD657.09 million as at 31 March 2016, which was mainly due to the seasonal settlement pattern as customers normally settled greater portion of trade receivables towards financial year end. Other receivables (including both current and non-current) decreased by HKD4.11 million during 1QFY2016, which was mainly due to the decrease in prepayments for construction work, value-added tax refund and tender deposits.

Liabilities

Total borrowings (including both current and non-current) increased by HKD46.88 million. The movement was mainly due to the proceeds from bank borrowings amounting to approximately HKD1,039.04 million, offset by repayment made for bank borrowings and other loans amounting to HKD991.72 million in 1QFY2016.

Increase of HKD103.71 million in current portion of trade and other payables was mainly due to the increase of HKD101.08 million in trade and other payable to third parties and HKD2.63 million in related parties payables. Non-current other payables as of 31 March 2016 represented the amounts due to related parties amounting to HKD243.36 million.

The Group was in a net current asset position of HKD133.36 million as at 31 March 2016, a decrease of HKD258.99 million from HKD392.35 million as at 31 December 2015.

Equity

The Group's total equity amounted to HKD7.38 billion as at 31 March 2016 (31 December 2015: HKD7.30 billion). The increase was mainly due to net profit amounting to HKD106.10 million recognised in 1QFY2016, partly offset by the share buy-back during this period. In January 2016, the Company bought back an aggregate of 7,793,400 shares in its issued and paid up capital for a total consideration of approximately SGD3.84 million (equivalent to approximately HKD21.14 million).

Cash Flow Statement

Cash and cash equivalents decreased from HKD1,768.99 million as at 31 December 2015 to HKD1,739.37 million as at 31 March 2016. Cash and cash equivalents included in the consolidated statement of cash flow comprised of the following:

	31 March 2016 HKD'000	31 December 2015 HKD'000
Cash and cash equivalents per statement of financial position	1,739,367	1,768,990
Less: Restricted bank deposits	(790,540)	(480,440)
Cash and cash equivalents per statement of cash flow	<u>948,827</u>	<u>1,288,550</u>

Net cash flow from operating activities

The Group had cash inflow of HKD225.11 million before changes in working capital during the current financial period (1QFY2015: HKD202.17 million). Changes in working capital and payment of income tax resulted in cash outflow of HKD194.57 million and HKD41.26 million respectively. As a result, the Group recorded a net cash outflow of HKD10.72 million from operating activities. The changes in working capital arose mainly from:

- (1) Increase in service concession financial receivables by HKD110.02 million;
- (2) Increase in trade and other receivables by HKD188.63 million;
- (3) Increase in trade and other payables by HKD103.77 million; and
- (4) Decrease in inventories by HKD0.31 million.

Net cash from investing activities

In 1QFY2016, the Group recorded a net cash outflow of HKD1.02 million from investing activities. The cash outflow was mainly resulted from net payment for property, plant and equipment.

Net cash from financing activities

The Group recorded a net cash outflow from financing activities of HKD327.83 million in 1QFY2016. The net cash outflow was caused by:

- (1) Net proceeds from bank borrowings of HKD47.32 million;
- (2) Payment of share buy-back of HKD21.14 million;
- (3) Increase in restricted bank deposits of HKD310.16 million;
- (4) Net increase in amount due to related parties of HKD2.63 million; and
- (5) Interest paid of HKD46.48 million.

Subsequent events

On 18 April 2016, the Company entered into Public-Private Partnership (“PPP”) agreement with the Housing and Urban-Rural Development Bureau of Zhenjiang City (鎮江市住房和城鄉建設局) and a joint venture agreement with Zhenjiang Waterworks Corporation (鎮江市水業總公司, “ZWC”) for construction of “Sponge City” of Zhenjiang. Pursuant to the joint venture agreement, the Company and ZWC will establish a joint venture company (the “Project Company”), for the purpose of undertaking the construction, renovation and operation of a 22 km² land area and 11.5 km² water area in Zhenjiang in accordance with the “Sponge City” initiatives for Zhenjiang City. The Company will hold a 70 per cent. equity stake in the Project Company, with the remaining 30 per cent. equity stake to be held by ZWC.

The total investment amount for the Zhenjiang sponge city project is estimated to be approximately RMB2.585 billion, which comprises a RMB1.2 billion subsidy from the PRC central government and a RMB1.385 billion investment to be contributed by the Project Company. The concession period granted to the Project Company is 23 years.

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 1QFY2016, as an emerging enterprise in China's water industry, through overall reviewing the macroeconomic trends, enhancing its technologies and optimizing its management, the Group constantly upgraded its investment scale and improved qualities, and facilitated the implementation of regional marketing plans. The Group successfully obtained two projects and contracted to undertake the first waste water treatment project and the second waste water treatment project in Zhangqiu, Shandong Province. It also won the bidding of the PPP Project regarding the construction of sponge city of Zhenjiang. The additional contracted waste water treatment capacity achieved 365,000 m³ per day.

In 2016, the PRC government is vigorously advocating "Five Development Concepts", i.e. "innovation, coordination, green development, opening-up and sharing", and constantly improving relevant environmental protection policies and regulations. Particularly, 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》) is expected to further release market share of the water treatment industry to social capital. In the early 2016, the PRC government compiled "Technical Outline under the 13th Five-Year Plan Planning for Water Pollution Controls on Main Streams" (《重點流域水污染防治“十三五”規劃編制技術大綱》) to conclude an overall plan for the water pollution controls on main streams during the period of the 13th Five-Year. Various provinces, autonomous regions, municipalities and cities in China have commenced to compile and report the water pollution controls conducted in their administrative districts, and to confirm a list of rivers where the water quality need to be improved and monitored during the 13th Five-Year period. Issuance of a series of environmental policies would bring along development opportunities to the environmental protection industry and would also have significant impact on the development mechanism of the industry. Meanwhile, 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.

2016 is the first year of the 13th Five-Year Plan. We believe, in the context of the economic "new normal", environmental protection and related industries would experience a huge growth. The Group will increase efforts in market expansion, new business segment penetration and business model development, strengthening engineering construction and management, promoting scientific breakthroughs, enhancing core competitiveness, exploring innovative investment and financing modes. It will also upgrade its risk management and control level, establish outstanding teams and take advantage of corporate culture so as to achieve a ground-breaking and tremendous development, which in turn bring about sustainable returns for shareholders and make valuable contributions to the society.

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 21 April 2015, the Company issued 120,690,957 shares to International Finance Corporation and Dalvey Asset Holding Ltd at an issue price of SGD0.94 per share(the "Share Placement"). Proceeds received by the Company from the Share Placement amounted to approximately HKD659,031,000.

As stated in the announcement issued by the Company on 28 April 2016, the proceeds of the Share Placement were fully utilised as working capital purposes to fund the growth and expansion of the Company's business. The breakdown in relation to the application of the proceeds was set out below:

Use of Proceeds from the Share Placement	<i>HKD'000</i>
Repayment of bank borrowings	365,238
Repayment of amount due to an intermediate holding company of the Company	88,325
Payment for expansion and upgrading projects relating to waste water treatment plants	173,939
Payment for the acquisition of a Transfer-Operate-Transfer project	9,182
Payment of interest expenses	11,139
Payment of legal and professional fees	2,828
Payment of administrative expenses	8,380

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

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

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

I, Wang Tianyi, do hereby confirm on behalf of the Board of Directors of China Everbright Water Limited (the “Company”), that to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial results for the first quarter ended 31 March 2016 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Wang Tianyi

Executive Director and Chairman

13 May 2016