

*A leap in mankind
begins with a single drop*
2015 ANNUAL REPORT





*Unleashing Potential
to Create Greater
**Possibilities &
Sustainability***





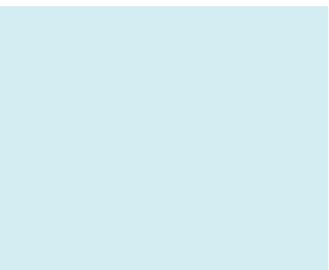
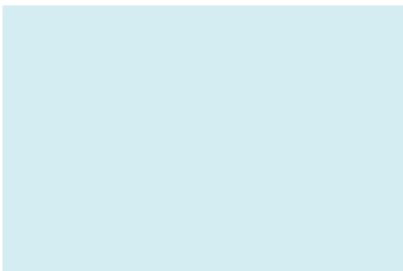
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CORPORATE PROFILE

China Everbright Water Limited (“**Everbright Water**” or the “**Company**”) is a company focusing on integrated environmental water services. The Company is listed on the Mainboard of Singapore Exchange Limited (SGX: U9E) with its direct controlling shareholder being China Everbright International Limited (HKSE: 00257). Everbright Water is the sole water business platform of China Everbright Group.

The Company and its subsidiaries (collectively the “**Group**”) are principally engaged in waste water treatment, reusable water, waste water source heat pump, sludge treatment, research and development of environmental water technologies, engineering and construction and etc. The Group’s geographical footprint spans across East, Central, North, Northeast and Northwest China, including Beijing, Jiangsu, Shandong, Shaanxi, Henan, Liaoning and Inner Mongolia Autonomous Region. As of December 2015, the Company invested in and operated water treatment projects with a contracted daily water treatment capacity of approximately 4.6 million m³.





The Company continues to leverage on its visionary strategic plan, deep understanding of market trends, together with its great sense of eco-responsibility and strong support from China Everbright Group to enhance its core capabilities and overall competitiveness. This is also complemented with its high sense of social responsibility, advanced management philosophy, good operating efficiency and its innovation in business and technology – for a brighter future.

CHAIRMAN'S STATEMENT



Dear Valued Shareholders

In 2015, the global economy entered a period of adjustment following the international financial crisis. Likewise, the Chinese economy is at a phase of “new normal” and is facing unprecedented challenges, at a time when sunset industries are giving way to emerging industries to drive greater development coupled with increasing downward economic pressure. As the economy strives for stabilisation, the central government of China has advocated a “five-pronged approach” [“五位一体” 总布局] which incorporates ecological progress as one of the developmental areas. Together with the “five principles” [五大发展理念], namely “innovation”, “coordination”, “green development”, “opening-up” and “sharing”, the promotion of the Public-Private Partnership (“PPP”) model and the introduction of a series of environmental protection policies, the environmental protection industry is staged for accelerated growth.

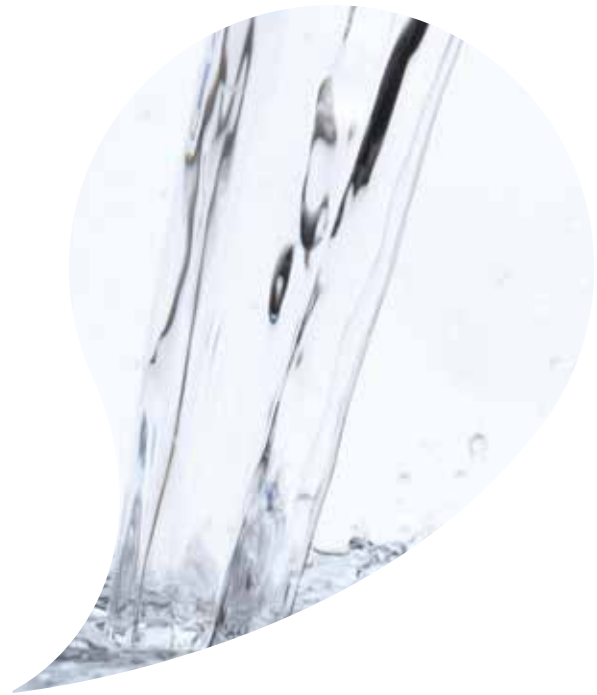
2015 marks the start of a new growth era for the Group as an outstanding enterprise with a strong innovative edge in the water industry. As part of its continual efforts to build up its core capabilities to maximise growth potential, during the year, the Group kept a keen eye on the macro landscape, enhanced its technical capabilities, improved its management structure and grew steadily.

The Group was included as a constituent stock for the FTSE ST Mid Cap Index in 2015. Following optimisation of the Group's organisational structure, establishment of a standardised corporate governance system as well as completion of the integration of HanKore Environment Tech Group Limited, the Group has gained recognition from the market, government, industry and society, and is poised for the next level of growth.

With a stronger management and organisational structure, during the year, the Group continued to report an increase in income. Revenue increased 73% year-on-year (“yoy”) to HKD1.82 billion and net profit attributable to owners of the Group increased 39% yoy to HKD406.24 million.

The addition of a few institutional shareholders, including International Finance Corporation (“IFC”) and Dalvey Asset Holdings Ltd, a wholly-owned subsidiary of RRJ Capital Master Fund II, L.P., also strengthened the Group's shareholder structure. Concurrently, the Group has established banking relationships with HSBC Bank, IFC, DBS Bank, Bank of China and other major local and foreign financial institutions.

“Environmental protection industry is and will remain a key growth driver in the global economy. ”



During the year, the Group completed the acquisition of Dalian Dongda Water Co. Ltd., (“**Dalian Dongda**”) which has a total of 17 waste water treatment projects, representing an additional contracted waste water treatment capacity of 1,125,000 m³ per day. In addition, the Group secured Ju County Waste Water Treatment Project, Ji’nan Waste Water Treatment Project (Plant 1) Expansion Project, Ji’nan Xike Waste Water Treatment Project (Plant 4) Phase II, as well as Beijing Daxing Tiantanghe Waste Water Treatment Project Upgrading and Expansion Project. Meanwhile, the Group also won the tender of Nanjing Pukou Reusable Water Project. The Group’s total contracted water treatment capacity has reached approximately 4,600,000 m³ daily and its geographical footprint now spans across East, Central, North, Northeast and Northwest China, including Beijing, Jiangsu, Shandong, Shaanxi, Henan, Liaoning and Inner Mongolia Autonomous Region.

Environmental protection industry is and will remain a key growth driver in the global economy. The central government of China has been strongly advocating the development of energy-saving and environmental protection industries and expanding the coverage of environmental protection standards. The Company continues to leverage on its visionary strategic plan, deep understanding of market trends, together with its

great sense of eco-responsibility and strong support from China Everbright Group to enhance its core capabilities and overall competitiveness. This is also complemented with its high sense of social responsibility, advanced management philosophy, good operating efficiency and its innovation in business and technology – for a brighter future.

I would like to extend my heartfelt gratitude to the management team and staff who have contributed to the Group’s achievements in 2015. In addition, I would like to express my gratitude to the shareholders, the Board members, and all our business partners in China and Singapore for your continued support. We will continue to work hard to generate greater returns for the shareholders and contribute to the sustainable development of the society and the nature.

Wang Tianyi
Executive Director and Chairman

CEO'S STATEMENT & BUSINESS REVIEW



Dear Valued Shareholders

The global economy was full of uncertainties in 2015. The Chinese government, while continuing its effort in economic restructuring, placed an important and strategic emphasis on ecological progress and environmental protection which led to the implementation of a series of major policies lifting the environmental protection industry to an unprecedented level. Green development remains the theme throughout the entire five development areas, namely economic, political, cultural, social and ecological progress. Accordingly, this would mean that historic opportunities and substantial growth potential are present for the water industry.

2015 is the first full-year after the listing of China Everbright Water Limited on the Singapore Exchange via a reverse takeover of HanKore Environment Tech Group Limited. During the year, the Chinese government rolled out a series of environmental policies and regulations such as Water Pollution Prevention and Control Plan [《水污染防治行动计划》] which is also known as the Clean Water Action Plan [“水十条”], and The Implementation Opinions on Cooperation between Government and Social Capital on Water Pollution Prevention and Treatment [《关于推进

水污染防治领域政府和社会资本合作的实施意见》]. In addition, the new Environmental Protection Law [《环境保护法》] has been implemented and local governments have further increased their investment and support for policies in the environmental protection industry throughout China. With the Group's strong sense of social responsibility and visionary strategic planning, the Group has successfully established an outstanding position in a competitive market, and achieved rapid, healthy and sustainable development.

In line with the development trend of the industry, the Group has achieved steady growth in 2015. Market expansion and business growth have accelerated, construction projects have been in good progress, and management and operational efficiency have improved. The Group's revenue increased 73% yoy to HKD1.82 billion. The increase in revenue was mainly due to the increase of HKD479.81 million in construction revenue, HKD127.40 million in operation services income and HKD157.18 million in finance income. Gross profit grew 38% yoy to HKD824.22 million. Net profit attributable to owners of the Group increased 39% yoy to HKD406.24 million.

We started the year with internal integration and focused on creating a new management structure. During the year, we established a standardised corporate governance system which was up to date, improved oversight mechanism and operation management efficiency as well as ensured effective risk management. All these would lay a solid foundation for the Group's next phase of growth.

Keeping a close eye on market developments and by virtue of a well-defined strategy, the Group continuously increased its investment scale and improved its investment quality as part of its strategic entry into the regional market. We successfully acquired Dalian Dongda which has a total of 17 waste water treatment projects. The contracted water treatment capacity for the new projects in the year amounted to 1.345 million m³ per day, representing a 40% growth from 2014. The Group's daily contracted water treatment capacity currently is approximately 4.6 million m³. During the year, the Group also expanded into Liaoning Province and Inner Mongolia Autonomous Region. As the Group continues to expand regionally, its reputation in each of the respective project locations continues to be strengthened, and the effect of economies of scale becomes more apparent.

The Group, with a spirit of "the craftsman", remains committed to uphold its responsibility as a role model in the industry. Construction for the Boxing Waste Water Treatment Project Expansion and Upgrading, Zibo Reusable Water Project Phase II, Nanjing Pukou Waste Water Treatment Phase II, Wuzhong Chengnan Waste Water Treatment Project Phase II Expansion and Upgrading were completed and the Projects have commenced operations. The construction for these projects are a testament to our continuous pursuit to redefine the standards of a "high quality construction project" and enhances our competitive edge.

The Group continues to strive for its mission, "Building a Beautiful China", and has made great efforts in promoting green development

in 2015. While ensuring stable operations and compliance with discharge standards, the Group, through technological innovation, process improvement and centralisation of procurement to reduce operating costs, treated waste water of 899 million m³, supplied reusable water of 9.66 million m³, and reduced Chemical Oxygen Demand ("COD") by 253,000 tonnes for the year 2015.

The Group's contributions in the integrated environmental water services have been recognized by the government. Several projects of the Group received tariff hikes, and the Group received incentives and subsidies amounting to HKD31.87 million from governments of all levels in China. This substantially improved the Group's growth potential and the project's rate of return.

With the Group's excellent operating performance and sustainable growth potential, the Group received decent recognition from the capital markets and the community. The Group entered into subscription agreements on 19 January 2015 with IFC and Dalvey Asset Holdings Ltd. (a wholly owned subsidiary of RRJ Capital) respectively, issued 120,690,957 new shares, and raised gross proceeds of approximately SGD113.45 million. In addition, the Group also established cooperation with major local and foreign financial institutions on financing activities, and secured a long-term loan of USD140 million from IFC.

The Group was granted new credits of HKD5.2 billion and withdrew loans amounting to HKD4.2 billion in 2015. With excellent asset quality, reasonable gearing and abundant cash, the Group is in a healthy financial position and is able to enhance its competitive edge. In 2015, the Group was included as a constituent stock in the FTSE ST Mid Cap Index.

To reward shareholders for their unwavering support, while taking into consideration of the needs for continuous development of the Group, the Board has recommended a final dividend of 0.35 Singapore cents per ordinary share to shareholders for the financial year ended 31 December 2015 ("FY2015").

CEO'S STATEMENT & BUSINESS REVIEW

Appreciation

The government has placed great emphasis on waste water treatment, creating great growth opportunities for the water industry and our Group. We have full confidence about our future, and will endeavour in enhancing our core capabilities, strengthening innovation on technology and maintaining our existing competitive advantage. At the same time, we will expand into new businesses and sectors, enhance corporate governance, further improve profitability and create greater value for shareholders.

The remarkable achievements would not be possible without a management team with strong faith and initiative spirits, a staff team with excellent fighting and execution capability, and the unwavering support from our shareholders, investors, business partners and social communities. On behalf of the management of the Group, I would like to express my greatest gratitude to the employees, business partners and shareholders for their continued support.

An Xuesong
Executive Director and CEO



CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Wang Tianyi

(Executive Director and Chairman)

An Xuesong

(Executive Director and CEO)

NON-EXECUTIVE DIRECTORS

Chen Tao

Yang Zhiqiang

INDEPENDENT DIRECTORS

Lim Yu Neng Paul

Zhai Haitao

Cheng Fong Yee

COMPANY SECRETARY

Teo Meng Keong

AUDIT COMMITTEE

Lim Yu Neng Paul (Chairman)

Zhai Haitao

Cheng Fong Yee

NOMINATING COMMITTEE

Zhai Haitao (Chairman)

Wang Tianyi

Lim Yu Neng Paul

REMUNERATION COMMITTEE

Cheng Fong Yee (Chairman)

Lim Yu Neng Paul

Zhai Haitao

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM 11, Bermuda

HEAD OFFICE

26/F, Block A, Oriental Xintiandi Plaza,

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Futian District, Shenzhen

518040, PRC

BERMUDA SHARE REGISTRAR

Codan Services Limited

Clarendon House, 2 Church Street

PO Box HM 1022

Hamilton HM DX, Bermuda

SINGAPORE SHARE TRANSFER AGENT

Boardroom Corporate & Advisory Services Pte. Ltd.

50 Raffles Place

#32-01 Singapore Land Tower

Singapore 048623

AUDITORS

KPMG LLP

16 Raffles Quay

#22-00 Hong Leong Building

Singapore 048581

Partner-in-charge: Mr. Low Gin Cheng, Gerald

(Appointed in Financial Year 2015)

PRINCIPAL BANKERS

DBS Bank Limited

Oversea-Chinese Banking Corporation Limited

The Hongkong and Shanghai Banking Corporation Limited

Bank of China Limited

China Merchants Bank

Ping An Bank

CORPORATE OUTLOOK



Industry Outlook

Economic development, social progress and environmental protection are the main pillars of sustainable development. A nation or a country has to first solve its environmental problems in order to achieve sustainable development. The world is facing unprecedented dilemma between development and environmental protection in human history. This is inevitable, especially during the modernisation of industrialisation and urbanisation. Therefore, solving the issue and striking a balance between a country's development and environmental sustainability is a common challenge faced by humans.

Challenges can turn into opportunities. To avoid greater crisis tomorrow, we are prepared to implement best actions for today's crisis. On the other hand, we will seize the opportunities available today to create better development opportunities for tomorrow. Environmental protection industry is and will remain as a key growth driver in the global economy. China's environmental protection industry is expected to see at least RMB8 trillion worth of investments in the next few years.

In the year of 2016, the central government of China has been advocating the five main principles underpinning the policies for China's future development, namely "innovation", "coordination", "green development", "opening-up" and "sharing". The new Environmental Protection Law [《环境保护法》] has further enhanced the strategic position of environmental protection, and integrated environmental protection into economic and social development. Specific working plan, measures and policies relating to Water Pollution Prevention and Control Plan [《水污染防治行动计划》] have been or are about to form, providing a new driver to the development of water environment management industry. Furthermore, The Implementation Opinions on Cooperation

between Government and Social Capital on Water Pollution Prevention and Treatment [《关于推进水污染防治领域政府和社会资本合作的实施意见》] provides the policy framework for the full opening up of the water industry to social capital and encouraged the adoption of the PPP model in the water pollution prevention and treatment sector. Market share of the water industry is expected to be continuously released to social capital.

Following the issuance of the Water Pollution Prevention and Control Plan on the Key Drainage Basins during the 13th Five-Year Plan Period [《重点流域水污染防治“十三五”规划编制技术大纲》] by the Chinese government in early 2016, all provinces, autonomous regions, municipalities and cities started to prepare the water pollution prevention working plan for their respective administrative areas setting out a list of rivers to be improved and treated during the 13th Five-Year Plan period. Issuance of a series of environmental protection policies would bring along development opportunities to the environmental protection industry and would also have significant impact on the development mechanism of the industry.

Stringent policies would stimulate the restructuring of the water treatment industry, eliminate weaker participants with the emergence of market leaders. The industry would develop towards the direction of transformation, upgrading and greening. The Ministry of Finance and National Development and Reform Commission of China has rolled out the waste water treatment fee collection method, water tariff pricing and adjustment mechanism in succession. 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 China's 13th Five-Year Plan. The central government of China also has been repeatedly advocating the importance of "beautiful scenery" to the social development of China. Improvement in water environment is undoubtedly the most important prerequisite to build a "Beautiful China". Underpinning by the "new normal" economy, environmental protection industry and related industries in China are set to embrace greater development opportunities.

Going forward, the business environment of the water industry is expected to go through significant changes. The "new normal" economy in China presents opportunities and risks, and the implementation of supply-side structural reforms, the "One Belt, One Road" initiative and PPP policies are in full swing. Being in the economic system with global competition, shying away from changes and growth does not help companies to grow bigger and stronger; rather, we should strengthen production efficiency and innovation in technology. The "One Belt, One Road" initiative has provided the avenue for water treatment industry to go global. Leveraging on our status as a listed company on the Mainboard of the Singapore Exchange, we expect to expand into the global market through overseas acquisitions. In addition, we will capitalise on our strong client base and brand value, asset base, technological expertise and experience, and continue to enhance the Group's overall competitiveness.

With a good brand recognition, experienced management team and diversified financing options, the Group is well-poised to take on new challenges, seek for new breakthroughs and enter into a new development phase. The Group will continue its best endeavours to expand its market share, explore new business areas and models, enhance engineering construction and management, achieve technological breakthroughs, enhance core capabilities, explore new investment and financing modes, improve risk management and risk control, build a strong team and promote corporate culture. The Group will strive to achieve the mid-term target of becoming one of the top three water companies in China.



FINANCIAL HIGHLIGHTS

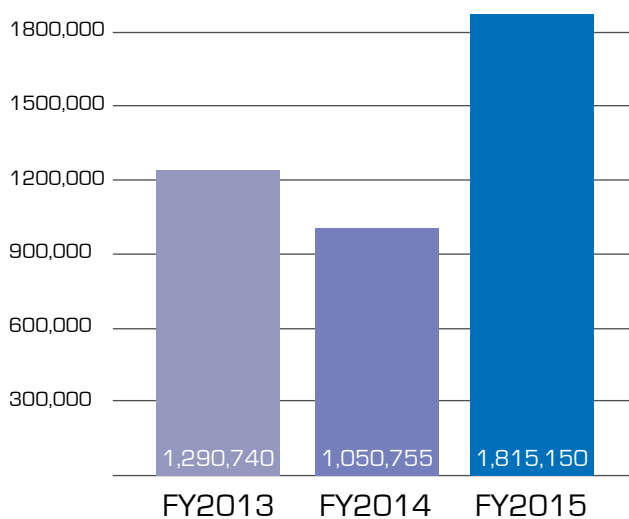


	FY2015 HK\$'000	FY2014 HK\$'000	Percentage change 2015 vs 2014
RESULTS			
Revenue	1,815,150	1,050,755	73%
Gross Profit	824,224	596,471	38%
Net Profit for the Financial Year	423,668	313,998	35%
Net Profit Attributable to Shareholders	406,242	292,796	39%
Earnings per Share (HK\$)	0.16	0.15	7%
Dividend per Ordinary Share (S\$)	0.0035	Nil	n.m.
FINANCIAL POSITION			
Total Assets	13,938,948	10,111,549	38%
Total Liabilities	6,641,928	3,560,389	87%
Net Asset Value per Ordinary Share (HK\$)	2.71	2.54	7%
Gearing Ratio (Total Liabilities / Total Assets)	47.7%	35.2%	12.5 pp

n.m.: means not meaningful
pp: percentage point

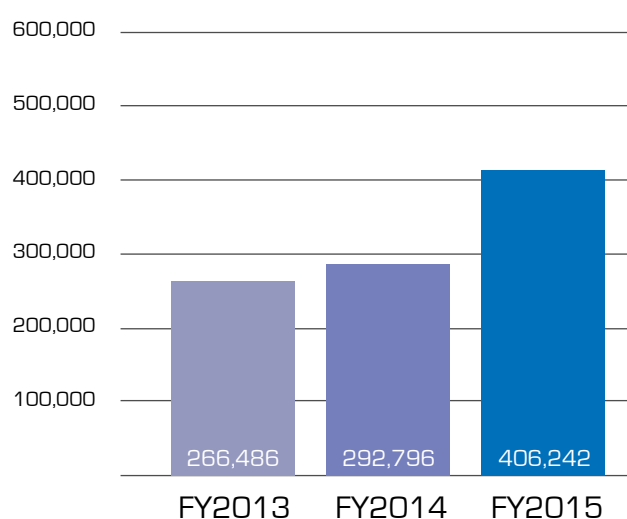
REVENUE

HK\$'000



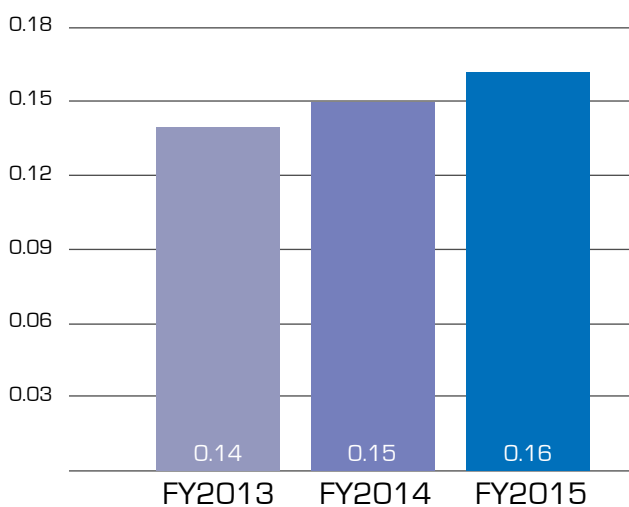
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS

HK\$'000



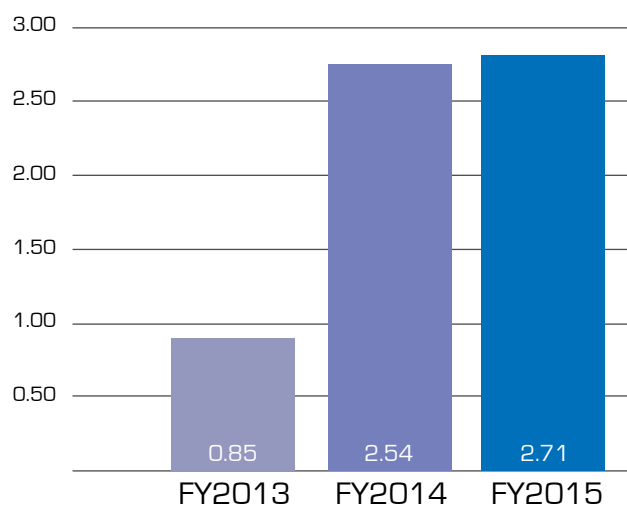
EARNINGS PER SHARE

HK\$



NET ASSET VALUE PER ORDINARY SHARE

HK\$



BOARD OF DIRECTORS



Wang Tianyi

Executive Director and Chairman

Mr. Wang is the Executive Director and Chairman of the Group as well as a member of the Nominating Committee. Mr. Wang joined the Group as the Executive Director, Vice-Chairman and CEO in December 2014, and he relinquished his position as CEO and was re-designated as Chairman on 14 August 2015. Mr. Wang is also the Executive Director and General Manager of China Everbright International Limited.

Mr. Wang was formerly the President of Shandong Academy of Science and the Deputy Mayor of Ji'nan City, Shandong Province. Mr. Wang had been the Vice President, Dean and Professor of Economic Management Faculty of Yantai University of Shandong Province.

Mr. Wang is currently a part-time professor of Tsinghua University, a doctoral tutor of Shandong University and a member of Advisory Committee of China Business Research Center of National University of Singapore. He is also a member of HKTDC Mainland Business Advisory Committee, a member of PPP (Public-Private-Partnership) Business Advisory Board and Chief Representative of China in PPP Center of United Nations Economic Commission for Europe (UNECE).

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



An Xuesong

Executive Director and CEO

Mr. An is the Executive Director and CEO of the Group. He joined the Group as the Executive Director and Standing Vice-President in December 2014 and was re-designated as Executive Director and CEO on 14 August 2015. Mr. An is also the Deputy General Manager of China Everbright International Limited.

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

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



Yang Zhiqiang
Non-Executive Director

Mr. Yang is the Non-Executive Director of the Group. Mr. Yang is also the Deputy CEO of China Everbright Greentech Limited, a wholly owned subsidiary of China Everbright International Limited.

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

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



Chen Tao
Non-Executive Director

Mr. Chen is the Non-Executive Director of the Group. He is also the Deputy General Manager of China Everbright International Limited, Deputy General Manager of Everbright Environmental Protection (China) Ltd., General Manager of Everbright Environmental Protection Technological Development (Beijing) Ltd. and Dean of Everbright Environmental Research Institute.

Mr. Chen has comprehensive experience in construction management, technology development and administration management. Prior to joining the Group, he was formerly the lecturer and laboratory supervisor of automation of Sichuan Light Chemistry Institute (presently known as Sichuan University of Science and Technology), the Manager of Automation Department and Assistant General Manager of Shenzhen CATIC Intelligent System Co., Ltd.

Mr. Chen graduated from the Faculty of Chemical Instrument and Industrial Automation of East China Chemistry Institute (presently known as East China University of Science and Technology) and holds a Master's degree in Industrial Automation from East China University of Science and Technology. Mr. Chen holds the title of Certified Senior Engineer in the PRC.

BOARD OF DIRECTORS



Lim Yu Neng Paul
Independent Director

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

Mr. Lim has over 25 years of banking experience with international investment banks including Morgan Stanley, Deutsche Bank, Solomon Smith Barney and Bankers Trust. He is currently the Managing Director and Head of Private Equity of SBI Ven Capital Pte Ltd., and the Independent Director of Golden Energy and Resources Limited (listed on SGX) and Nippecraft Limited (listed on SGX).

Mr. Lim obtained his Master of Business Administration in Finance and Bachelor of Science in Computer Science from the University of Wisconsin, Madison, USA. He is also a Chartered Financial Analyst (CFA).



Cheng Fong Yee
Independent Director

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

Ms. Cheng has more than 20 years of experience in the insurance industry and is an Associate of the Australian Insurance Institute. She has been involved in major overseas insurance projects, particularly in the Asia Pacific, and is actively involved in utilising insurance as a financial tool for project development in Asia Pacific. Ms. Cheng is the head of the Insurance Division of AsiaOne Insurance Agency Pte. Ltd. in Singapore and executive director (Principal Representative) of the Cambodia Branch of AsiaOne Insurance Agency Pte. Ltd. She also headed the Business Development Department of Aon Insurance Brokers, the biggest broking house in Asia and managed the insurance division of the Singapore Technologies Group.

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



Zhai Haitao

Independent Director

Mr. Zhai is the Independent Director of the Group, the Chairman of the Nominating Committee and a member of the Audit Committee and the Remuneration Committee. Mr. Zhai is also the Independent Non-Executive Director of China Everbright International Limited and the President and Partner of Primavera Capital Group.

Mr. Zhai has extensive experience and knowledge in banking, capital market and management. He was formerly Managing Director of Goldman Sachs Asia LLC and Chief Representative of Goldman Sachs Beijing Office. Prior to joining Goldman Sachs, Mr. Zhai worked at the International Department of the People's Bank of China in Beijing, and was Deputy Representative of the People's Bank of China Representative Office for the Americas based in New York.

Mr. Zhai holds a Master's Degree in International Relations from Columbia University, a Master of Business Administration Degree from New York University and a Bachelor of Arts Degree in Economics from Peking University.



KEY MANAGEMENT

Chang Song

Chief Financial Officer (“CFO”)

Mr. Chang is the CFO of the Group. Mr. Chang joined the Group as Financial Controller in December 2014 and was re-designated as CFO on 14 August 2015.

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

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

Luo Junling

Vice-President

Mr. Luo is the Vice-President of the Group.

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

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

Tao Junjie

Vice-President

Mr. Tao is the Vice-President of the Group.

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

Wang Yuexing

Vice-President

Mr. Wang is the Vice-President of the Group.

Mr. Wang has 25 year's of extensive experience in environmental protection industry, especially in engineering construction and operation management. Mr. Wang was formerly the Deputy General Manager of Everbright Environmental Protection Technology Limited and Everbright Environmental Protection Shenzhen Engineering Limited, Plant Manager of the Company's Ji'nan No. 1 Waste Water Treatment Plant and Chief Commander of the Group's various waste water treatment plant.

Mr. Wang holds a Master's degree in Environment Engineering from Tsinghua University, Master of Business Administration Degree from Shandong University and a Bachelor's degree in Civil Engineering from South China University of Technology. He also holds the certificate of Certified Cost Division and the title of Certified Senior Engineer.

Wang Guangping

Vice-President

Mr. Wang is the Vice-President of the Group .

Mr. Wang was granted several invention patents and utility model patents. He has over 15 years of working experience in environmental protection industry. Mr. Wang was formerly the Assistant Dean of Everbright Environmental Research Institute, Chief Technology Officer of China Environmental Protection Science & Technology Holdings Limited, Vice-Chief Engineer of Shenzhen Liyuan Water Design & Consultant Limited and Chief Engineer of Operation Branch of Wuhan Kaidi Water Service Co., Limited.

Mr. Wang holds a Doctorate degree in Environment Engineering from Tsinghua University, a Master's degree in Municipal Engineering from Tongji University and a Bachelor's degree in Water Supply and Sewerage Engineering from Huazhong University of Science and Technology. He also holds the title of Certified Senior Engineer.

SUSTAINABILITY REPORT



Upholding the mission of “Creating beautiful environment for the benefits of general public”, the Company endeavours to the business of waste water treatment, reusable water, waste water source heat pump, sludge treatment, research and development of environmental water technologies, as well as engineering and construction. The Company has built environmental projects with high quality and efficiency one after another, and maintained stable operation and excellent environmental performance for its projects through the comprehensive environmental, social and risk management systems, allowing the Company to guide the sustainable development of China’s waste water treatment industry.

We believe maintaining a close and meaningful relationship with our stakeholders is the cornerstone to the success of an environmental protection business. We have been conducting regular stakeholder engagement activities throughout the project cycle in order to listen to their opinions on the project’s operation and environmental performance. We have developed a stakeholder engagement plan for all project companies, and we will continue to review the effectiveness of our stakeholder engagement activities during the concept stage, environmental impact assessment stage, preliminary design stage, detailed assessment stage, construction stage and operation stage of a project, and identify the significant issues that are relevant to the sustainable development of the project.

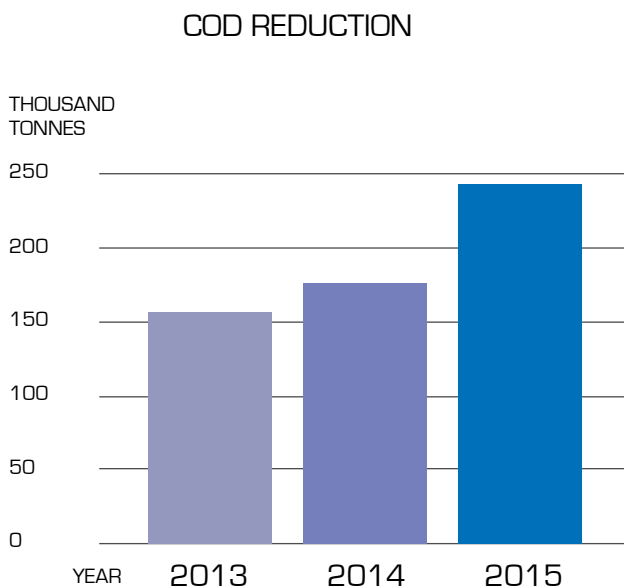
Environmental Performance

As an environmental protection enterprise, we are committed to maintaining “Stable operation and satisfactory discharge compliance”, adhering to the use of advanced technologies and industry standards for higher efficiency and better environmental performance of our waste water treatment plant, so as to achieve sustainable development.

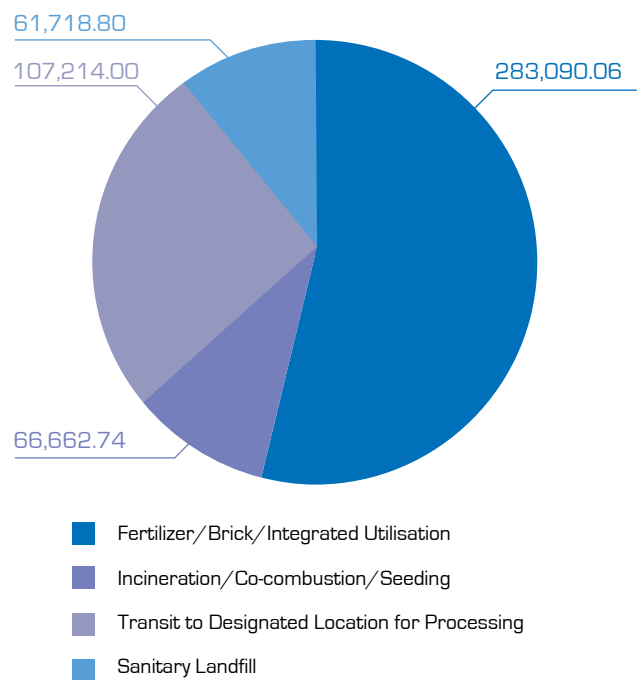
The Company has been proactively improving its management standards, ensuring that all projects have applied for the Environmental Management System Certificate. The Company’s high-standard operation management ensures stable operation of projects and averts secondary pollution. The Company regularly takes samples from the effluents for assessment in order to ensure the discharge compliance of its waste water treatment plants. Also, online monitoring meters are installed on the pumps to avoid substandard discharge.

In addition, promoting green technology and innovation is one of our environmental objectives, as it can improve the capacity and efficiency of waste water treatment, and fulfill our commitment to environmental betterment. We actively explore approaches of turning waste water to useful resources, and we successfully adopted the waste water source heat pump technology to utilize low-grade heat energy to provide heating and cooling services. During the year, we established the Water Environment Technology Research Centre, and a number of sewage treatment systems of our company have been granted five utility model patents and several technological innovation awards.

In 2015, the waste water treatment projects of the Company reduced 244.58 thousand tonnes of COD*. The COD removal performance of our waste water treatment plants during the past three years are as follows:



VOLUME BREAKDOWN BY DIFFERENT SLUDGE DISPOSAL METHOD (TONNES)



Proper treatment of sludge generated from waste water treatment process is one of the key issues in our daily operation. We have been handling sludge based on the Environmental, Health & Safety Guideline issued by IFC along with other relevant legislations and standards. In 2015, over 67% of sludge has been recycled. If disposal of sludge to landfills is inevitable, sludge will be dehydrated in our facility so as to reduce the volume and water content of the sludge. This measure can mitigate the burden of sludge on landfills and relieve its environmental impacts.

We have been striving our best in preserving and recycling water resources. We have been strictly following the Reuse of Urban Recycling Water – Water Quality Standard for Industrial Uses (GB/T19923-2005) and Reuse of Urban Recycling Water – Water Quality Standard for Scenic Environment Use (GB/T18921-2002) in recycling waste water. In 2015, we processed more than 866 million m³ of waste water*. Also, our advanced treatment process produced 9.66 million m³ of reusable water for surrounding enterprises, which effectively conserved water resources.

*As the Company acquired the former Dalian Dongda's waste water treatment projects in November 2015, these projects were undergoing integration process during the reporting period, hence this section does not include the statistics of waste water treatment projects from former Dalian Dongda.

SUSTAINABILITY REPORT



Health and Safety

Ensuring occupational health and safety is not only important to our corporate culture, but also a commitment from the Company to each and every one of our employees. The Company has ingrained safety management beliefs in our operation through setting up clear production safety guidelines, providing up-to-standard tools and personal protective equipment on site, and conducting regular safety inspections. Furthermore, we also introduce our safety culture and policies to our contractors and partners as part of the terms in the agreement.

To ensure the awareness on production safety from our employees, we offer regular health and safety trainings such as video trainings on “Production Safety Law” and new “Environmental Protection Law”, as well as lectures and competitions during the production safety month each year. All project companies have formed a safety management team comprising the general manager and other management officers, to supervise and manage all health and safety issues arising from various stages of the project. The team is also responsible for organizing emergency drills and exercises to maintain a high degree of safety awareness of the employees, as well as enhance their crisis management skills. In addition, we also provide annual medical checkups and occupational disease checks to safeguard our employees’ health conditions.

Employee Development

We believe providing diverse and practical training opportunities is not only a key factor for corporate development, but also an elixir for increasing job satisfaction and ensuring equal opportunity in the workplace. Apart from designing tailor-made programs based on employees’ position, skill set and management requirements, we also promote exchange with both local and foreign peer companies, ensuring that our employees understand the latest trend of the waste water treatment industry. This year, we also organized the “Forum with Plant Manager”, encouraging idea exchanges between employees from different job levels.



Community Engagement

The Company has been actively utilizing its own technology, resources and experts in promoting environmental education. Throughout this year, the project companies participated in different environmental technology related activities, such as the National Science Popularization Day and World Water Day, to promote advanced technologies and raise public awareness on environmental protection. The Jiangyin Project Company co-organized the “Everbright Cup” with local environmental authorities and television stations on the World Environment Day. The knowledge contest allows the public to learn about the latest environmental legislations and the Company’s visions on environmental protection.

Many of our project companies serve as the National Base for Science Popularization and Education and National Social Practice Base for Environmental Education in Secondary and Primary Schools, which invite the public, foreign visitors and students from different institutions to visit their facilities every year. We believe these activities can increase the transparency of the Company and enhance communications between the Company and its stakeholders. Furthermore, it can nurture the next generation’s sense of responsibility in protecting the national environmental resource. In 2015, 17,764 visitors have visited the facilities of our environmental projects.

Philanthropy

The Company bears tremendous corporate social responsibility and has actively encouraged employee participation in charity events. We also attended charity events such as “Caring for the Next Generation”, “Spring of Science and Technology” and “Public Innovation, Embracing Smart Life” organized by various community groups. Through donations of necessities and books, we hope to satisfy the basic physical and mental needs of vulnerable groups.





*Placing Emphasis on **Growth** &
Caring for the **Environment***



CORPORATE GOVERNANCE REPORT

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

This report outlines the Company's corporate governance practices for FY2015 with specific reference made to the principles and guidelines of the Code of Corporate Governance 2012 (the "Code"), which forms part of the continuing obligations of the Listing Rules of the Singapore Exchange Securities Trading Limited ("SGX-ST").

(A) BOARD MATTERS

The Board's conduct of its affairs

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

The Board's principal functions include the following:

- [1] provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Group to meet its objectives;
- [2] review and approve corporate strategies, financial objectives and direction of the Group;
- [3] establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the Group's assets;
- [4] establish goals for management and monitor the achievement of these goals;
- [5] ensure management leadership of high quality, effectiveness and integrity;
- [6] review management performance;
- [7] approve annual budgets and investment and divestment proposals;
- [8] review the internal controls, risk management, financial performance and reporting compliance;
- [9] identify the key stakeholder group and recognise that their perceptions affect the Company's reputation;
- [10] set the Group's value and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met;
- [11] consider the sustainability issues, such as environmental and social factors, as part of its strategic formulation; and
- [12] assume responsibility for corporate governance.

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

CORPORATE GOVERNANCE REPORT

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

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

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

Directors/ Board Members	Board		Audit		Remuneration		Nominating	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Mr. Wang Tianyi ⁽¹⁾	6	6	NA	NA	NA	NA	2	2
Mr. An Xuesong ⁽²⁾	6	6	NA	NA	NA	NA	NA	NA
Mr. Yang Zhiqiang	6	6	NA	NA	NA	NA	NA	NA
Mr. Chen Tao ⁽³⁾	6	#1	NA	NA	NA	NA	NA	NA
Mr. Zhai Haitao ⁽⁴⁾	6	#2	5	#1	2	*-	2	*-
Mr. Lim Yu Neng Paul ⁽⁵⁾	6	6	5	5	NA	NA	2	2
Ms. Cheng Fong Yee	6	6	5	5	2	2	NA	NA
Mr. Chen Xiaoping ⁽⁶⁾	6	4	NA	NA	2	2	NA	NA
Mr. Lee Kheng Joo ⁽⁷⁾	6	4	5	4	2	2	2	2
Mr. Chen Dawei ⁽⁸⁾	6	6	NA	NA	NA	NA	NA	NA

Note:

NA – Not a member of the Committee

* - Meeting was held prior to appointment and therefore not in attendance

#- Directors attendance at Board/Board Committee meetings after their appointments on 14 August 2015

- (1) Mr. Wang Tianyi, an Executive Director had been re-designated as Chairman of the Company from Chief Executive Officer and Vice Chairman of the Company with effect from 14 August 2015.
- (2) Mr. An Xuesong was appointed as Chief Executive Officer of the Company with effect from 14 August 2015.
- (3) Mr. Chen Tao was appointed as Non-Executive Director of the Company with effect from 14 August 2015.
- (4) Mr. Zhai Haitao was appointed as Independent Director, Chairman of the Nominating Committee and a member of the Audit Committee and the Remuneration Committee with effect from 14 August 2015.
- (5) Mr. Lim Yu Neng Paul was appointed as a member of the Remuneration Committee with effect from 14 August 2015.
- (6) Mr. Chen Xiaoping resigned as Non-Executive Director and Chairman of the Company and relinquished his membership in the Remuneration Committee with effect from 14 August 2015.
- (7) Mr. Lee Kheng Joo resigned as Independent Director and relinquished his position as Chairman of the Nominating Committee and member of the Audit Committee and the Remuneration Committee with effect from 14 August 2015.
- (8) Mr. Chen Dawei resigned as Executive Director and Vice-Chairman of the Company with effect from 1 February 2016.

CORPORATE GOVERNANCE REPORT

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

Matters specifically reserved to the full Board for decision is via a structured Board Authority Matrix which is reviewed on a regular basis and accordingly revised when necessary, involving a conflict of interest for a substantial shareholder or a Director, material acquisitions and disposal of assets, corporate or financial restructuring, share issuance and dividends, financial results, annual budget and corporate strategies. The Board will provide directions to the Management team of the Group's business divisions through presentations at Board and Board Committees meetings.

There were two (2) incoming directors during the course of the financial year which are, Mr. Chen Tao and Mr. Zhai Haitao, who have been appointed by the Board of Directors' Meetings held on 14 August 2015.

The new Directors had received relevant trainings on the roles and responsibilities of a director of a listed company on the SGX-ST prior to their appointment to help them familiarize with the business and governance practices of the Company.

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

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

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

Board Composition and Balance

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

- (i) Mr. Wang Tianyi (Executive Director and Chairman)
- (ii) Mr. An Xuesong (Executive Director and Chief Executive Officer)
- (iii) Mr. Yang Zhiqiang (Non-Executive Director)
- (iv) Mr. Chen Tao (Non-Executive Director)
- (v) Mr. Zhai Haitao (Independent Director)
- (vi) Mr. Lim Yu Neng Paul (Independent Director)
- (vii) Ms. Cheng Fong Yee (Independent Director)

The independence of each Director is assessed and reviewed annually by the Nominating Committee ("**NC**"). The NC adopts the Code's definition of what constitutes an Independent Director in its review. The Board considers an Independent Director as one who has no relationship with the Group, its related companies, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment with a view to the best interest of the Company and the Group's affairs.

CORPORATE GOVERNANCE REPORT

Each Independent Director is required to complete a Director's Independence Checklist annually to confirm his/ her independence based on the guidelines as set out in the Code. For FY2015, the NC has determined that all the three Independent Directors are independent. In particular, Mr. Zhai Haitao is also an Independent Director of the Company's controlling shareholder China Everbright International Limited ("**Everbright International**"), but he is not involved in the daily management and operation of Everbright International. The NC determined that Mr. Zhai Haitao is independent in character and judgment and his role as Independent Director of Everbright International will not affect his judgment as Independent Director of the Company. The Board has determined that it is of an appropriate size to facilitate effective decision making, and to meet the objective of having a balance of skills and experience, taking into account the size and scope of Company's operations.

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

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

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

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

Chairman and Chief Executive Officer ("CEO")

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

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

The Chairman is responsible for exercising control over the quality and timeliness of the flow of information between management and the Board and ensuring compliance with the Group's guidelines on corporate governance. The Chairman ensures that Board meetings are held regularly in accordance with as agreed schedule of meetings and sets the agenda of the Board meetings.

The Chairman also builds constructive relations within the Board and between the Board and management, and facilitates the effective participation of Non-Executive Directors by promoting a culture of openness and debate of the Board. The Chairman further ensures effective communication with shareholders and promotes high standards of corporate governance.

As the Chairman is not an Independent Director and is a member of the Management team, the Independent Non-Executive Directors should make up at least half of the Board. The Company will take steps to comply with this Code requirement before end of the financial year ending 31 December 2016.

CORPORATE GOVERNANCE REPORT

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

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

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

Board Membership

The NC comprises:

- (i) Mr. Zhai Haitao (NC Chairman & Independent Director);
- (ii) Mr. Wang Tianyi (Executive Director and Chairman); and
- (iii) Mr. Lim Yu Neng Paul (Independent Director).

Majority of the NC, including the NC Chairman are Independent Directors.

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

- (1) establishing procedures and make recommendations to the Board on all Board appointments and re-nominations with regards to each Director’s contribution and performance, his or her attendance at meetings of the Board or Board committees (where applicable), participation, candour and any special contributions;
- (2) reviewing and determining annually whether a Director is independent, bearing in mind the considerations set out in the Code;
- (3) deciding whether or not each Director is able to and has adequately carried out his duties as a Director of the company, taking into consideration the Director’s number of listed company Board representations and other principal commitments;
- (4) developing a process for evaluation of the performance of the Board, Board Committees and Directors; and
- (5) reviewing training and professional development programmes for the Board.

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

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

CORPORATE GOVERNANCE REPORT

All Directors are subject to the provisions of the Company's Bye-Laws whereby:

- (a) each Director shall retire at least once every three (3) years and shall be eligible for re-election. For FY2015, Mr. Lim Yu Neng Paul and Ms. Cheng Fong Yee are subject to retirement pursuant to the Company's Bye-Laws 86(1) at the forthcoming Annual General Meeting ("AGM"). The NC recommended that all of them be nominated for re-election at the forthcoming AGM.
- (b) any Director appointed by the Board shall retire at the next annual general meeting of the Company and shall be eligible for re-election. Mr. Chen Tao and Mr. Zhai Haitao were appointed during the financial year and therefore, they will retire pursuant to the Company's Bye-Laws 85(6) at the forthcoming AGM. The NC recommended that all of them be nominated for re-election at the forthcoming AGM.

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

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

The NC has reviewed and is satisfied that all Directors, who sit on multiple Boards, have been able to devote sufficient time and attention to the affairs of the Company to adequately discharge their duties as Directors of the Company, notwithstanding their multiple Board appointments. The NC did not recommend setting of limit as to the number of listed Board representative that every Director can hold. The Board will determine the maximum number of listed company Board representations which any Director may hold as and when required.

There is no Alternate Director on the Board.

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

Director	Position	Date of Initial Appointment	Date of Last Re-Election	Membership of Board Committee	Directorship/ Chairmanship both present and those held over the preceding three years in other listed company
Mr. Wang Tianyi	Executive Director and Chairman	12 Dec 2014	NA	Member of the Nominating Committee	Present: China Everbright International Limited (listed on HKSE)
Mr. An Xuesong	Executive Director and CEO	12 Dec 2014	NA	-	NA
Mr. Yang Zhiqiang	Non-Executive Director	12 Dec 2014	NA	-	NA
Mr. Chen Tao	Non-Executive Director	14 Aug 2015	NA	-	NA

CORPORATE GOVERNANCE REPORT

Director	Position	Date of Initial Appointment	Date of Last Re-Election	Membership of Board Committee	Directorship/ Chairmanship both present and those held over the preceding three years in other listed company
Mr. Zhai Haitao	Independent Director	14 Aug 2015	NA	Chairman of the Nominating Committee & member of the Audit Committee and the Remuneration Committee	Present: China Everbright International Limited (listed on HKSE)
Mr. Lim Yu Neng Paul	Independent Director	31 July 2007	29 Oct 2013	Chairman of the Audit Committee & member of the Nominating Committee and the Remuneration Committee	Present: 1. Golden Energy and Resources Limited (listed on SGX) 2. Nippercraft Limited (listed on SGX) Over the preceding 3 years: 1. Intrepid Mines Limited (listed on ASX)
Ms. Cheng Fong Yee	Independent Director	31 July 2007	29 Oct 2013	Chairman of the Remuneration Committee & member of the Audit Committee	NA

Board Performance

The NC has adopted a formal process for the evaluation of the performance of the Board as a whole and the contribution by each individual Director to the effectiveness of the Board. The performance criteria includes, amongst others, an evaluation of the size and composition of the Board, the Board's access to information, accountability, Board processes and Board performance in relation to discharging its principal responsibilities in terms of the financial indicators as set out in the Code. The findings were analyzed and discussed with a view to implementing certain recommendations to further enhance the effectiveness of the Board. No external facilitator was used in FY2015.

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

Following the review, the NC assessed the Board's performance as a whole and the contribution by individual Directors in FY2015 and is of the view that the Board's performance as a whole and the contribution by individual Directors are satisfactory.

CORPORATE GOVERNANCE REPORT

Access to Information

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

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

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

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

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

The RC comprises:

- (i) Ms. Cheng Fong Yee (RC Chairman & Independent Director);
- (ii) Mr. Zhai Haitao (Independent Director); and
- (iii) Mr. Lim Yu Neng Paul (Independent Director).

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

- (1) recommending to the Board, in consultation with the Chairman of the Board, for endorsement, a remuneration policy framework and guidelines for remuneration of the Directors and senior management of the Group;
- (2) recommending specific remuneration packages for each of the Directors and the senior management (including, but not limited to, Directors' and senior management's fees, salaries, allowances, bonuses and benefits-in-kind);
- (3) reviewing the obligations of the Group arising in the event of termination of the service contracts of the Group's Directors and key management personnel; and
- (4) administering the share incentive plans of the Group, if any.

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

No remuneration consultants were engaged by the Company in FY2015.

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

CORPORATE GOVERNANCE REPORT

Level and Mix of Remuneration

Under the framework developed by the RC, the RC uses the following factors to determine Directors' remuneration:

- (1) qualifications and experience of Directors required by the Company;
- (2) for Independent Directors, the general level of fees earned by each Director in his professional capacity or billed by professionals in their industry;
- (3) time spent in preparing for meetings and actual attendance;
- (4) indirect costs and expenses incurred by the Directors;
- (5) such remuneration as may be considered fair and reasonable having regard to the nature and size of the business of the Company;
- (6) level of remuneration to vary in direct proportion to the extent of involvement and participation in and contribution to the business of the Company;
- (7) the level of commitment and the ability to devote sufficient time and attention to the business of the Company; and
- (8) where special circumstances justify, the payment of additional remuneration.

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

Disclosure on Remuneration

A breakdown of the remuneration of Directors and the top five key executives (who are not Directors) for the financial year ended 31 December 2015 is set out below:

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

Remuneration Band and Name of Director	Directors' fee %	Salary %	Bonus %	Benefits in kind %	Total %
<i>S\$500,000 to below S\$750,000</i>					
Mr. Wang Tianyi	-	46	53	1	100
Mr. An Xuesong	-	45	53	2	100
<i>S\$250,000 to below S\$500,000</i>					
Mr. Chen Dawei	-	50	16	34	100
<i>Below S\$250,000</i>					
Mr. Yang Zhiqiang	-	-	-	100	100
Mr. Chen Tao	-	-	-	-	-
Mr. Zhai Haitao	96	-	-	4	100
Mr. Lim Yu Neng Paul	87	-	-	13	100
Ms. Cheng Fong Yee	83	-	-	17	100
Mr. Chen Xiaoping	-	-	-	-	-
Mr. Lee Kheng Joo	88	-	-	12	100

The Board of Directors believes that it is not in the best interest of the Company to fully disclose precise remuneration given the highly competitive industry conditions for water treatment sectors particularly in the Peoples' Republic of China.

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

Remuneration Band and Name of Key Executive	Salary %	Bonus %	Benefits in kind %	Total %
<i>Below S\$250,000</i>				
Mr. Chang Song	51	41	8	100
Mr. Luo Junling	47	44	9	100
Mr. Tao Junjie	51	48	1	100
Mr. An Yili (resigned as Chief Engineer on 10 March 2016)	68	24	8	100
Mr. Lin Zheyang (resigned as Vice President on 1 January 2016)	100	-	-	100
Mr. Yau Wing Yiu (resigned as CFO on 1 June 2015)	99	-	1	100

The aggregate amount of the total remuneration paid to the abovementioned top key executive is S\$1,074,000.

CORPORATE GOVERNANCE REPORT

There are no employees of the Group who are immediate family members of a Director and whose remuneration exceeds S\$50,000 during the financial year ended 31 December 2015.

The China Everbright Water Limited Employee Share Option Scheme (formerly known as the HanKore Employee Share Option Scheme) (the “**Scheme**”) was approved by shareholders at the Company’s Special General Meeting held on 27 October 2011. The Group has granted options to the Directors and key executive under the Scheme on 15 November 2013 and the options granted have been fully exercised by the employees of the Company and the Executive and Non-Executive Directors.

The Scheme will continue to be in force for a period of 10 years commencing from the date of adoption till 27 October 2021.

As at 31 December 2015, there is no outstanding share options granted under the Scheme.

(C) ACCOUNTABILITY AND AUDIT

Accountability

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

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

Risk Management and Internal Controls

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

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

CORPORATE GOVERNANCE REPORT

Based on the work performed by the internal and external auditors, the AC reviews the findings from the internal and external auditors on the Group's internal controls and the Management's responses to the auditors' recommendations for improvement to the Group's internal controls and discussions with the auditors and Management. During the year, the Company also appointed KPMG Services Pte. Ltd. to establish a risk and assurance framework to identify the key risks and the related key controls addressing the key risks. Based on the work performed by KPMG Services Pte. Ltd. and the work performed by the Group's Internal Auditors, KPMG Services Pte. Ltd. have determined that the Group's internal controls are adequate and effective enough in mitigating key risks of the Group. The Board, with the concurrence of the Audit Committee, is satisfied with the adequacy of the Group's internal controls, addressing financial, operational, compliance controls, information technology and sustainability risks as at 31 December 2015 and that Management has taken efforts to minimise the risk of recurrence of such lapses.

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

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

Audit Committee

The AC comprises:

- (i) Mr. Lim Yu Neng Paul (AC Chairman & Independent Director);
- (ii) Mr. Zhai Haitao (Independent Director); and
- (iii) Ms. Cheng Fong Yee (Independent Director).

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

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

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

The AC met five times in FY2015 and relevant Directors and Management were invited to attend the meetings.

The functions of the AC include:

- (a) reviewing the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Group and any announcements relating to the Group's financial performance;
- (b) reviewing and reporting to the Board the adequacy and effectiveness of the Group's internal controls, comprising financial, operational, compliance and information technology controls, including procedures for entering into hedging transactions (such review can be carried out internally or with the assistance of any competent third parties);
- (c) reviewing the effectiveness of the Group's internal audit function;

CORPORATE GOVERNANCE REPORT

- (d) reviewing the scope and results of the external audit, and the independence and objectivity of the external auditors;
- (e) making recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;
- (f) reviewing any interested person transactions as defined in the Listing Manual;
- (g) reviewing potential conflicts of interest, if any, including reviewing and considering transactions in which there may be potential conflicts of interests between the Group and interested persons and recommend whether those who are in a position of conflict should abstain from participating in any discussions or deliberations of the Board or voting on resolutions of the Board in relation to such transactions as well as to ensure that proper measures to mitigate such conflicts of interest have been put in place;
- (h) reviewing the rectification measures and internal control measures relating to regulatory issues involving the Group's licences/permits/certificates etc;
- (i) reviewing the investments in our customers, suppliers and competitors made by the Group Directors, Controlling Shareholders and their respective associates who are involved in management of the Group or have shareholding interests in similar or related business of the Group and make assessments on whether there are any potential conflicts of interests and ensuring that proper measures to mitigate such conflicts of interest have been put in place;
- (j) reviewing the statements to be included in the annual report concerning the adequacy of internal controls, including financial, operational and compliance controls, and risk management systems;
- (k) monitoring the implementation of outstanding internal control recommendations and/or observations highlighted by the external auditors in the course of their audit of the statutory financial statements;
- (l) reviewing whistle-blowing investigations within the Group and ensuring appropriate follow-up action, if required;
- (m) planning and overseeing the implementation of the measures in respect of the legal representatives of the PRC subsidiaries;
- (n) undertaking such other reviews and projects as may be requested by the Board, and report to the Board its findings from time to time on matters arising and requiring the attention of the Audit Committee; and
- (o) generally undertaking such other functions and duties as may be required by statute or the Listing Manual, or by such amendments as may be made thereto from time to time on a quarterly basis.

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

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

The fee paid or payable to auditors is set out on page 95 of this Annual Report.

The AC is satisfied that the Company has complied with Rules 712 and 715 and/or 716 of the SGX-ST Listing Manual in relation to the appointment of its external auditors for FY2015.

CORPORATE GOVERNANCE REPORT

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

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

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

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

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

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

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

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

Internal Audit

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

The AC approves the hiring, removal, evaluation and compensation of the internal auditors.

The Company has its internal audit team (“**IA**”) to strengthen the internal audit function and promote sound risk management, including financial, operational, compliance, information technology controls, sustainability and good corporate governance.

The IA reports primarily to the Chairman of the AC and has full access to the documents, records properties and personnel of the Company and of the Group.

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

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

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

CORPORATE GOVERNANCE REPORT

Material non-compliance and internal control weaknesses noted during reviews are reported together with recommended corrective actions to the AC on a regular basis. In particular, the Company had certain outstanding licenses and/or permits in relation to its business and operations as at November 2014 (“**Licenses and/or Permits**”) as disclosed in the Company’s circular dated 12 November 2014. The IA followed up on the status of such Licenses and/or Permits and noted that the Company obtained the following Licenses and/or Permits during the year under review:

Project Company (plant/project)	Licenses and/or Permits obtained
Everbright Water (Zibo Zhoucun) Water Purification Limited (Zibo Zhoucun Wastewater Treatment Project)	Land Use Right
Everbright Water (Boxing) Limited (Phase 1 of the Bin Zhou Boxing Wastewater Treatment Project)	Land Use Right
Everbright Water (Qingdao) Limited (formerly known as Qingdao EB-VW Waste Water Treatment Ltd.) (Mai Dao Plant of the Qingdao Wastewater Treatment Project)	Land Use Right
Sanmenxia Everbright Water Limited (formerly known as Sanmenxia HanKore Co., Ltd.)	Land Use Right
Nanjing Jin Huan Water Development Co., Ltd. (Liuhe Wastewater Treatment Plant Project)	Land Use Right
Everbright Water (Boxing) Limited (Expansion Project of Phase 2 of the Bin Zhou Boxing Wastewater Treatment Project)	Construction Project Planning Certificate/ Construction Work Permit
Everbright Water (Zhangqiu) Limited (Zhangqiu Wastewater Treatment Project)	Construction Work Permit
Everbright Water (Jiangyin) Limited (Upgrading Project of Phase 1 of the Cheng Xi Wastewater Treatment Project)	Construction Work Permit
Zibo Everbright Water Energy Development Limited (Zibo Heat Pump Project Phase 2)	Construction Work Permit
Nanjing Jin Huan Water Development Co., Ltd. (Upgrading Project of Stage 1 of Phase 1 of the Liuhe Wastewater Treatment Plant Project, Stage 2 of Phase 1 of the Liuhe Wastewater Treatment Plant Project)	Construction Work Permit
Everbright Water (Jiangyin) Limited (Chengxi Wastewater Treatment Project)	Construction Completion Acceptance Inspection
Zibo Everbright Water Energy Development Limited (Zibo Heat Pump Project Phase I and Phase II)	Construction Completion Acceptance Inspection
Kunshan Gang Dong Wastewater Treatment Co., Ltd. (Upgrading Project of the Gang Dong Wastewater Treatment Plant Project)	Construction Completion Acceptance Filing
Nanjing Jin Huan Water Development Co., Ltd. (Stage 1 of Phase 1 of the Liuhe Wastewater Treatment Plant Project)	Construction Completion Acceptance Filing
Everbright Water (Jiangyin) Limited (Cheng Xi Wastewater Treatment Project)	Environmental Completion Acceptance

CORPORATE GOVERNANCE REPORT

Project Company (plant/project)	Licenses and/or Permits obtained
Zibo Everbright Water Energy Development Limited (Zibo Heat Pump Project Phase 2)	Environmental Completion Acceptance
Nanjing Jin Huan Water Development Co., Ltd.	Pollutant Discharge Permit

The results of the internal audit findings are also shared with the external auditors to assist them in their audit planning and also for them to perform further checks on the weak areas identified.

(D) COMMUNICATION WITH SHAREHOLDERS

Shareholder Rights

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

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

The Company will be conducting poll voting for all resolutions to be passed in this forthcoming AGM. The rules, including voting procedures will be explained by the Scrutineers in this meeting. If any shareholder is unable to attend general meetings, the Company's Bye-Laws allow each shareholder to appoint up to two proxies to attend and vote at all general meetings on his/her behalf

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

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

- (i) SGXNET announcements and press releases;
- (ii) Annual Reports prepared and issued to all shareholders; and
- (iii) Company's website at www.ebwater.com at which shareholders can access information on the Group.

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

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

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

CORPORATE GOVERNANCE REPORT

Measures that the Company has taken are as follows:

- (a) organise analyst briefings to explain our latest published financial information as well as to provide our business update when necessary;
- (b) attend meetings/ telephone conferences requested by investors/ shareholders/ analysts on an ongoing basis throughout the year to assist them in understanding the latest updates relating to the Company;
- (c) organise road shows for our investors/ potential investors. This may be done solely by ourselves or coordinated with investment bankers;
- (d) organise plant visits by investors/ potential investors to our facilities; and
- (e) ensure important information of the Group will be announced in a timely manner without delay.

The Company does not have a policy on payment of dividends at present. However, the Company has proposed to distribute first and final dividend for FY2015 subject to shareholders' approval. The shareholders may elect to receive dividends in the form of scrip in lieu of cash for this first and final dividend for FY2015. Details of such dividend payments would be disclosed via SGXNET when available.

(E) CONDUCT OF SHAREHOLDERS MEETINGS

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

If shareholders are unable to attend the meetings, the Bye-Laws allow a shareholder of the Company to appoint not more than two proxies to attend and vote on his/her behalf.

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

The Chairman of the AC, RC and NC are in attendance at the Company's AGM to address shareholders' questions relating to the work of these Committees.

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

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

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

CORPORATE GOVERNANCE REPORT

(F) DEALINGS IN SECURITIES

In line with Listing Rule 1207(19) of the Listing Manual, the Group prohibits its Directors and employees from trading in the Company's securities on short-term considerations. In addition, the Group prohibits its Directors and employees from dealing in the Company's securities during the periods commencing two weeks before the announcement of the Group's first three quarters results and one month before the announcement of the Group's full year results and ending on the date of the announcement of such results; and when they are in possession of price-sensitive and confidential information relating to the Group.

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

(G) MATERIAL CONTRACTS

There are no material contracts of the Group involving the interests of any Directors or controlling shareholders subsisting at the end of the financial year ended 31 December 2015, or entered into since the end of the previous financial year.

(H) INTERESTED PERSON TRANSACTIONS

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

The Company does not have a general shareholders' mandate for recurrent interested person transaction. The aggregate value of interested person transactions entered into during FY2015 under review in excess of S\$100,000 is as follows:-

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) (S\$)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Everbright Environmental Protection (China) Limited	1,886,169	Not Applicable
China Everbright Protection Holdings Limited	696,465	Not Applicable
China Everbright Bank Limited	724,055	Not Applicable

DIRECTORS' STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2015.

In our opinion:

- (a) the financial statements set out on pages 48 to 114 are drawn up so as to present fairly, in all material respects, the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with International Financial Reporting Standards; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

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

Directors

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

Wang Tianyi	
An Xuesong	
Yang Zhiqiang	
Lim Yu Neng Paul	
Cheng Fong Yee	
Zhai Haitao	(appointed on 14 August 2015)
Chen Tao	(appointed on 14 August 2015)

Directors' interests

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

Name of director and corporation in which interests are held	Holdings registered in the name of directors		Holdings in which directors are deemed to have an interest	
	As at 1/1/2015	As at 31/12/2015*	As at 1/1/2015*	As at 31/12/2015*

The Company

Ordinary shares

Lim Yu Neng Paul	1,458,400	–	100,000	1,558,400
Cheng Fong Yee	822,266	622,266	–	–
Chen Dawei (resigned on 1 February 2016)	10,104,599	49,524,955	84,189,596	–

* After shares consolidation on 27 May 2014

DIRECTORS' STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

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

	Holdings registered in the name of directors	
	As at 1/1/2015	As at 31/12/2015
Medium Term Note-Corporate Bond		
Chen Dawei (resigned on 1 February 2016)	S\$2,000,000	-

Share options

Employee share option scheme

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

Other information regarding the Scheme is as follows:

Options granted on 15 November 2013

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

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

Date of grant of options	Exercise price per share	Options outstanding at 1/1/2015	Options granted	Options exercised	Options outstanding at 31/12/2015
15/11/2013	S\$0.64	-	-	-	-

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

There were no unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries as at the end of the financial year.

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

DIRECTORS' STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

Warrants

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

Date of issue	Exercise price	Warrants outstanding at 1/1/2015	Warrants exercised	Warrants expired	Warrants outstanding at 31/12/2015
26/4/2010	S\$0.25	263,462	62,030	201,432	-

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

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

Audit Committee

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

Lim Yu Neng Paul (Chairman)
Zhai Haitao (Member)
Cheng Fong Yee (Member)

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

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

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

The Audit Committee also reviewed the following:

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

DIRECTORS' STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

Auditors

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

On behalf of the Board of Directors

Wang Tianyi

Executive Director and Chairman

An Xuesong

Executive Director and Chief Executive Officer

10 March 2016

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY – CHINA EVERBRIGHT WATER LIMITED

Report on the financial statements

We have audited the accompanying financial statements of China Everbright Water Limited (the “Company”) and its subsidiaries (the “Group”), which comprise the statements of financial position of the Group and the Company as at 31 December 2015, the consolidated statements of comprehensive income, changes in equity and cash flows of the Group for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information, as set out on pages 48 to 114.

Management’s responsibility for the financial statements

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

Auditors’ responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial positions of the Group and the Company as at 31 December 2015 and the Group’s consolidated financial performance and consolidated cash flows for the year ended on that date in accordance with International Financial Reporting Standards.

KPMG LLP

*Public Accountants and
Chartered Accountants*

Singapore

10 March 2016

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Note	Group		Company	
		31 December 2015	31 December 2014	31 December 2015	31 December 2014
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets					
Property, plant and equipment	5	162,587	173,559	3	10
Intangible assets	6	1,440,075	950,594	-	-
Goodwill	7	1,268,925	1,043,545	-	-
Investment in subsidiaries	8	-	-	9,533,310	9,931,051
Other receivables	11	39,525	16,096	21,120	-
Service concession financial receivables	9	7,713,209	6,219,236	-	-
Non-current assets		10,624,321	8,403,030	9,554,433	9,931,061
Inventories	10	10,689	28,912	-	-
Trade and other receivables	11	641,525	331,173	1,672,655	48,232
Service concession financial receivables	9	893,423	667,333	-	-
Cash and cash equivalents	12	1,768,990	681,101	7,248	103,109
Current assets		3,314,627	1,708,519	1,679,903	151,341
Total assets		13,938,948	10,111,549	11,234,336	10,082,402
Equity					
Share capital	13	2,670,098	2,549,345	2,670,098	2,549,345
Reserves	14	4,390,845	3,776,135	7,344,902	7,159,784
Equity attributable to owners of the Company		7,060,943	6,325,480	10,015,000	9,709,129
Non-controlling interests		236,077	225,680	-	-
Total equity		7,297,020	6,551,160	10,015,000	9,709,129
Liabilities					
Borrowings	15	2,423,663	1,061,730	193,813	-
Deferred tax liabilities	16	1,055,223	828,977	-	-
Other payables	17	240,760	264,325	-	-
Non-current liabilities		3,719,646	2,155,032	193,813	-
Borrowings	15	2,394,574	762,718	1,000,073	281,248
Trade and other payables	17	475,430	599,843	25,450	68,795
Other financial liabilities	18	-	23,230	-	23,230
Current tax liabilities		52,278	19,566	-	-
Current liabilities		2,922,282	1,405,357	1,025,523	373,273
Total liabilities		6,641,928	3,560,389	1,219,336	373,273
Total equity and liabilities		13,938,948	10,111,549	11,234,336	10,082,402

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	31 December 2015 HK\$'000	31 December 2014 HK\$'000
Revenue	20	1,815,150	1,050,755
Cost of sales		(990,926)	(454,284)
Gross profit		824,224	596,471
Other income	21	103,651	13,308
Administrative expenses		(203,651)	(77,639)
Other operating expenses		(9,895)	(9,115)
Results from operating activities		714,329	523,025
Finance income		9,799	2,022
Finance costs		(127,998)	(92,232)
Net finance cost	22	(118,199)	(90,210)
Profit before tax	23	596,130	432,815
Tax expense	24	(172,462)	(118,817)
Profit for the year		423,668	313,998
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss:			
- foreign currency translation differences		(337,571)	(104,205)
Total comprehensive income for the year		86,097	209,793
Profit attributable to:			
Owners of the Company		406,242	292,796
Non-controlling interests		17,426	21,202
Profit for the year		423,668	313,998
Total comprehensive income attributable to:			
Owners of the Company		75,700	194,909
Non-controlling interests		10,397	14,884
Total comprehensive income for the year		86,097	209,793
Earnings per share			
Basic earnings per share (HK\$)	25	0.16	0.15
Diluted earnings per share (HK\$)	25	0.16	0.15

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2015

← Attributable to owners of the Company →

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2015

	Attributable to owners of the Company									
	Share capital	Share premium	Foreign currency translation reserve	Statutory reserve	Contributed surplus	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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
Total comprehensive income for the year										
Profit for the year	-	-	-	-	-	-	406,242	406,242	17,426	423,668
Other comprehensive income for the year										
Foreign currency translation differences	-	-	(330,542)	-	-	-	-	(330,542)	(7,029)	(337,571)
Transfer to statutory reserve	-	-	-	26,318	-	-	(26,318)	-	-	-
Total comprehensive income for the year	-	-	(330,542)	26,318	-	-	379,924	75,700	10,397	86,097
Transactions with owners, recognised directly in equity										
Contributions by and distributions to owners										
Issue of ordinary shares	120,691	538,340	-	-	-	-	-	659,031	-	659,031
Exercise of warrants	62	670	-	-	-	-	-	732	-	732
Share premium reduction	-	(1,243,508)	-	-	1,243,508	-	-	-	-	-
Total transactions with owners	120,753	(704,498)	-	-	1,243,508	-	-	659,763	-	659,763
At 31 December 2015	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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	31 December 2015 HK\$'000	31 December 2014 HK\$'000
Cash flows from operating activities			
Profit before tax		596,130	432,815
Adjustments for:			
Depreciation of property, plant and equipment		13,826	13,748
Amortisation of intangible assets		58,001	10,490
Loss on disposal of property, plant and equipment	23	510	-
Fair value loss on cross-currency swap	23	9,555	5,014
Effect of foreign exchange rates changes		(33,662)	2,856
Net finance costs	22	118,199	90,210
Operating cash flows before working capital changes		762,559	555,133
Changes in working capital:			
Inventories		17,065	(15,726)
Service concession financial receivables		(481,781)	84,211
Trade and other receivables		(131,371)	104,367
Trade and other payables		(38,892)	(346,120)
Cash generated from operations		127,580	381,865
Income tax paid		(94,975)	(65,261)
Net cash from operating activities		32,605	316,604
Cash flows from investing activities			
Acquisition of associates, net of cash acquired		-	937
Acquisition of subsidiaries, net of cash acquired	31(a)	(2,163,337)	430,598
Interest received		9,799	2,022
Purchase of property, plant and equipment		(10,227)	(3,432)
Proceed from sale of property, plant and equipment		314	-
Payment for additions of intangible assets		(14,020)	-
Net cash (used in)/from investing activities		(2,177,471)	430,125

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

CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	31 December 2015 HK\$'000	31 December 2014 HK\$'000
Cash flows from financing activities			
Acquisition of additional interest in a subsidiary		-	(113,637)
Proceeds from issue of shares		659,031	-
Proceeds from exercise of warrants		732	-
Proceeds from bank borrowings		4,218,794	117,865
Repayment of bank borrowings and notes payables		(1,310,224)	(266,619)
Interest paid		(127,998)	(92,232)
(Decrease)/increase in amounts due to fellow subsidiaries		(1,177)	8,294
Decrease in amounts due to intermediate holding companies		(148,481)	(2,230)
Increase in restricted bank balances		(305,950)	(139,422)
Settlement of cross-currency swap		(30,644)	-
Net cash from/(used in) financing activities		2,954,083	(487,981)
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		499,331	246,945
Effect of exchange rate fluctuations on cash and cash equivalents		(19,998)	(6,362)
Cash and cash equivalents at end of the year	12	1,288,550	499,331

Significant non-cash transactions

- (a) On 18 June 2014, 1 ordinary share of US\$1 was allotted and issued at HK\$8 to an intermediate holding company by capitalising the Group's indebtedness of HK\$1,210,050,000 owing to the intermediate holding company.
- (b) Pursuant to the special resolution at the Special General Meeting of the Company held on 15 December 2015, the entire amount standing to the credit of the share premium of the Company was reduced to nil and transferred to the contributed surplus. Accordingly, the Group's share premium of HK\$1,243,508,000 attributed to the Company was transferred to the contributed surplus [see Note 14(a)].

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

These notes form an integral part of the financial statements. The financial statements were authorised for issue by the Board of Directors on 10 March 2016.

1. Domicile and activities

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

The financial statements of the Group as at and for the year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”).

The Group is primarily involved in the water treatment business in the People’s Republic of China (“PRC”). The principal activity of the Company is that of an investment holding company. The principal activities of its subsidiaries are set out in Note 8.

2. Basis of preparation

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of judgements and estimates

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

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

Information about judgements made in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements and information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in Note 4.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

3.1 Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method in accordance with IFRS 3 *Business Combination* as at the date of acquisition, which is the date on which control is transferred to the Group [see Note 3.1(ii)]. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annual for impairment [see Note 3.9(ii)]. Any gain or bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities [see Note 3.3].

The Group measures goodwill at the acquisition date as:

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

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

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

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

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

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

(ii) Subsidiaries

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

3. Significant accounting policies (cont'd)

3.1 Basis of consolidation (cont'd)

(ii) Subsidiaries (cont'd)

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

(iii) Non-controlling interests

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

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

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

(iv) Loss of control

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

(v) Transactions eliminated on consolidation

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

(vi) Subsidiaries in the separate financial statements

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

3.2 Foreign currency

(i) Foreign currency transactions

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

3. Significant accounting policies (cont'd)

3.2 Foreign currency (cont'd)

(ii) Foreign operations

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

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

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

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

3.3 Financial instruments

(i) Non-derivative financial assets

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

3. Significant accounting policies (cont'd)

3.3 Financial instruments (cont'd)

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

Loans and receivables

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. For the purpose of the statement of cash flows, restricted deposits are excluded whilst bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

Service concession arrangements

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

If the Group is paid for the construction services partly by a financial asset and partly by an intangible asset, then each component of the consideration is accounted for separately and is recognised initially at the fair value of the consideration (see also Note 3.5(ii)).

(ii) *Non-derivative financial liabilities*

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

3. Significant accounting policies (cont'd)

3.3 Financial instruments (cont'd)

(ii) Non-derivative financial liabilities (cont'd)

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

Other financial liabilities comprise borrowings and trade and other payables.

(iii) Share capital

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

(iv) Derivative financial instruments

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

3.4 Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent costs

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

3. Significant accounting policies (cont'd)

3.4 Property, plant and equipment (cont'd)

(iii) Depreciation

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

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

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

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

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

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

3.5 Intangible assets and goodwill

(i) Goodwill

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

3. Significant accounting policies (cont'd)

3.5 Intangible assets and goodwill (cont'd)

(i) Goodwill (cont'd)

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

(ii) Service concession arrangements

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

(iii) Computer software

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

(iv) Patents and trademarks

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

(v) Subsequent expenditure

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

(vi) Amortisation

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

3. Significant accounting policies (cont'd)

3.6 Land use rights

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

3.7 Leased assets

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

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

3.8 Inventories

Inventories, mainly comprise raw materials and consumables used in the repairs and maintenance of the waste water treatment plants, are carried at cost less provision for obsolescence (if any). Cost is calculated based on the first-in-first-out principle, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. When inventories are consumed, the carrying amount of those inventories is recognised as an expense to profit or loss.

3.9 Impairment

(i) Non-derivative financial assets

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

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

Loans and receivables

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

3. Significant accounting policies (cont'd)

3.9 Impairment (cont'd)

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

Loans and receivables (cont'd)

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

(ii) *Non-financial assets*

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

3. Significant accounting policies (cont'd)

3.10 Employee benefits

(i) Defined contribution plans

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

(ii) Short-term employee benefits

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

(iii) Share-based payment transactions

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

3.11 Provisions

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

3.12 Revenue

(i) Construction contracts

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

3. Significant accounting policies (cont'd)

3.12 Revenue (cont'd)

(ii) Service concession arrangements

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

(iii) Discharge fees from waste water treatment and recycling

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

(iv) Operation income from service concession arrangement

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

(v) Finance income from service concession arrangement

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

3.13 Government grants

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

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

3.14 Lease payments

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

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

3.15 Finance income and finance costs

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

3. Significant accounting policies (cont'd)

3.15 Finance income and finance costs (cont'd)

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

3.16 Tax

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

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

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

Deferred tax is not recognised for:

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

3. Significant accounting policies (cont'd)

3.17 Earnings per share

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

3.18 Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of the Group's various lines of business and geographical locations.

The Group operates in a single business segment which engages in the water and waste water treatment plant construction and operation services in the PRC.

3.19 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statements. Those which may be relevant to the Group are set out below. The Group does not plan for early adoption of these standards.

IFRS 9 *Financial Instruments (2014)*

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

IFRS 15 *Revenue from Contracts with Customers*

The International Accounting Standards Board issued IFRS 15 to replace IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and related interpretations.

The core principle of the new standard is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. IFRS 15 is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group has not assessed the impact on the financial statements arising from the adoption of the standard.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

4. Critical judgements, accounting estimates, and assumptions

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

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

Key sources of estimation uncertainty

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

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

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

The segregation of the consideration for a service concession arrangement between the financial asset component and the intangible asset component, if any, requires the Group to make an estimate of a number of factors, which include, inter alia, fair value of the construction services, expected future water treatment volume of the relevant water treatment plant over its service concession period, future guaranteed receipts and unguaranteed receipts, and also to choose a suitable discount rate in order to calculate the present value of those cash flows. These estimates, including revenue recognition under the financial asset and intangible asset components are determined by the Group's management based on their experience and assessment on current and future market conditions. The carrying amounts of the intangible assets ("concession rights") and service concession financial receivables at the end of the financial year are disclosed in Notes 6 and 9 respectively.

Impairment of subsidiaries

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on the forecasted performance of the subsidiary. The carrying amounts of the Company's investments in subsidiaries at the reporting date are disclosed in Note 8.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

Impairment of goodwill

The group of CGUs to which goodwill has to be allocated should reflect the lowest level at which goodwill is monitored for internal reporting and the group of CGUs should not be larger than an operating segment. The level at which the goodwill is to be allocated is highly judgemental. The Group determined that the waste water treatment segment comprising many water/waste water treatment plants, represents the lowest level at which goodwill is monitored for internal reporting. Accordingly, the Group has allocated goodwill to the waste water treatment segment for impairment testing purposes. The waste water treatment segment to which goodwill has been allocated, is no larger than the waste water treatment operating segment. The carrying amounts of goodwill at the reporting date are disclosed in Note 7.

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

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

Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of property, plant and equipment and intangibles (other than goodwill and concession rights) are disclosed in Notes 5 and 6.

Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts of the Group's loans and receivables are disclosed in Notes 9, 11 and 12.

Fair values of financial instruments

Where the fair values of financial instruments recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values. The judgements include considerations of liquidity and model inputs regarding volatility and risk-free rates of return. The valuation of financial instruments is described in Note 30.

Percentage of completion of construction work

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

5. Property, plant and equipment

Group	Buildings HK\$'000	Plant and machinery HK\$'000	Leasehold improvements, furniture and fixtures HK\$'000	Motor vehicles and office equipment HK\$'000	Construction in progress HK\$'000	Sub-total HK\$'000	Interest in leasehold land held for own use under operating leases HK\$'000	Total HK\$'000
Cost								
At 1 January 2014	104,369	51,113	4,807	46,728	-	207,017	8,368	215,385
Exchange adjustments	(2,685)	(1,315)	(120)	(1,213)	(255)	(5,588)	(215)	(5,803)
Additions arising from RTO (as defined in Note 31(b))	249	-	-	8,011	9,650	17,910	-	17,910
Additions from acquisition of subsidiary	-	-	175	439	-	614	-	614
Additions	-	28	815	2,589	-	3,432	-	3,432
Disposals	-	-	(1,381)	(1,926)	-	(3,307)	-	(3,307)
At 31 December 2014 and 1 January 2015	101,933	49,826	4,296	54,628	9,395	220,078	8,153	228,231
Exchange adjustments	(4,092)	(2,002)	(193)	(2,679)	(605)	(9,571)	(327)	(9,898)
Additions from acquisition of subsidiaries	-	-	-	380	-	380	-	380
Additions	-	-	761	5,300	4,166	10,227	-	10,227
Disposals	-	(34)	(62)	(5,027)	-	(5,123)	-	(5,123)
At 31 December 2015	97,841	47,790	4,802	52,602	12,956	215,991	7,826	223,817
Accumulated depreciation and amortisation								
At 1 January 2014	6,708	4,584	3,609	29,488	-	44,389	781	45,170
Exchange adjustments	(217)	(151)	(85)	(901)	-	(1,354)	(21)	(1,375)
Disposals	-	-	(1,367)	(1,504)	-	(2,871)	-	(2,871)
Charge for the year	4,419	3,218	557	5,225	-	13,419	329	13,748
At 31 December 2014 and 1 January 2015	10,910	7,651	2,714	32,308	-	53,583	1,089	54,672
Exchange adjustments	(489)	(430)	(195)	(1,802)	-	(2,916)	(53)	(2,969)
Disposals	-	-	(61)	(4,238)	-	(4,299)	-	(4,299)
Charge for the year	4,314	2,241	721	6,227	-	13,503	323	13,826
At 31 December 2015	14,735	9,462	3,179	32,495	-	59,871	1,359	61,230
Net book value								
At 31 December 2014	91,023	42,175	1,582	22,320	9,395	166,495	7,064	173,559
At 31 December 2015	83,106	38,328	1,623	20,107	12,956	156,120	6,467	162,587

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

5. Property, plant and equipment (cont'd)

Company	Motor vehicles and office equipment HK\$'000
Cost	
At 1 January 2014, 31 December 2014, 1 January 2015 and 31 December 2015	24
Accumulated depreciation	
At 1 January 2014	10
Charge for the year	4
At 31 December 2014 and 1 January 2015	14
Charge for the year	7
At 31 December 2015	21
Carrying amounts	
At 31 December 2014	10
At 31 December 2015	3

The analysis of carrying amounts of properties is as follows:

	Group	
	2015 HK\$'000	2014 HK\$'000
In the PRC (outside Hong Kong):		
- medium-term leases	89,573	98,087
Representing:		
Buildings	83,106	91,023
Interest in leasehold land held for own use under operating leases	6,467	7,064
	89,573	98,087

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

6. Intangible assets

Group	Concession rights HK\$'000	Patents and trademarks HK\$'000	Computer software HK\$'000	Backlog contracts HK\$'000	Total HK\$'000
Cost					
At 1 January 2014	153,145	-	-	-	153,145
Exchange adjustments	(8,298)	(162)	(7)	(188)	(8,655)
Additions	592	-	-	-	592
Acquisition of subsidiaries	760,001	27,683	1,107	32,084	820,875
At 31 December 2014 and 1 January 2015	905,440	27,521	1,100	31,896	965,957
Exchange adjustments	(40,803)	(1,102)	(98)	(1,277)	(43,280)
Additions	12,604	-	1,416	-	14,020
Acquisition of subsidiaries	574,252	-	-	-	574,252
At 31 December 2015	1,451,493	26,419	2,418	30,619	1,510,949
Accumulated amortisation					
At 1 January 2014	5,102	-	-	-	5,102
Exchange adjustments	(218)	(3)	(1)	(7)	(229)
Amortisation for the year	9,141	379	79	891	10,490
At 31 December 2014 and 1 January 2015	14,025	376	78	884	15,363
Exchange adjustments	(1,989)	(149)	(4)	(348)	(2,490)
Amortisation for the year	41,789	4,460	1,231	10,521	58,001
At 31 December 2015	53,825	4,687	1,305	11,057	70,874
Carrying amounts					
At 31 December 2014	891,415	27,145	1,022	31,012	950,594
At 31 December 2015	1,397,668	21,732	1,113	19,562	1,440,075

Service concession arrangements

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

- The arrangements are concession arrangements for waste water treatment plants with various local government authorities in the PRC under IFRIC 12 *Service Concession Arrangements*.
- The intangible assets of concession rights arose from waste water treatment plants located in different cities in the PRC. For these arrangements with concession periods ranging between 20 years to 32 years, the Group (the operator) receives the right to charge users a fee for using the services which the grantor collects and pays to the operator.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

6. Intangible assets (cont'd)

- (c) All the water/waste water treatment arrangements state the rights and obligations for the grantor and operator as follows:
- (i) The operator has the obligation to treat the required amount of water/waste water and also to ensure the treated water fulfills the standard quality requirements of the grantor.
 - (ii) The infrastructure including the plant and equipment, "know-how", operations manual, hand-over report, design of infrastructure and related documents, for the waste water treatment plant will be transferred to the grantor or any grantor appointed agencies at the end of the concession period.
 - (iii) The arrangement is terminated only when a party breaches the contract or due to unforeseeable circumstances.
 - (iv) The operator has the obligation to maintain and restore the water/waste water plant to its operational condition upon transferring to the grantor at the end of the concession period.
- (d) Waste water treatment plants with intangible assets amounting to HK\$312,223,000 (2014: HK\$315,358,000) as at 31 December 2015 were pledged to secure the loans taken up by the Group (Note 15).

7. Goodwill

	HK\$'000
Cost	
At 1 January 2014	9,538
Exchange adjustments	(5,429)
Additions arising from RTO	1,039,436
At 31 December 2014	<u>1,043,545</u>
At 1 January 2015	1,043,545
Exchange adjustments	(46,442)
Acquisition of subsidiaries	271,822
At 31 December 2015	<u>1,268,925</u>

As described in Note 31(a) of the financial statements, the Group completed the acquisition of Dalian Dongda (as defined in Note 31(a)) on 4 November 2015. Goodwill arising from the acquisition has been recognised as follows:

	HK\$'000
Total cash consideration	2,238,866
Fair value of identifiable net assets	<u>(1,967,044)</u>
Goodwill	<u>271,822</u>

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

7. Goodwill (cont'd)

Impairment testing of goodwill

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

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

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

As a significant portion of the Group's net assets consisted of financial assets and liabilities which are accounted for under IAS 39, the Group adjusted the market capitalisation to exclude the fair values of financial assets and liabilities as disclosed in Note 30 for the purpose of deriving the fair value of the non-financial assets in the waste water treatment segment. The derived fair value was then compared with the carrying amount of non-financial assets (including goodwill) of the waste water treatment segment. The Group considered the derived fair value to be a level 3 fair value measurement.

The estimated recoverable amount exceeded the carrying amount and the Group concluded that the goodwill was not impaired.

8. Investment in subsidiaries

	Company	
	31 December 2015	31 December 2014
	HK\$'000	HK\$'000
Unquoted equity instruments, at cost	11,455,593	11,933,534
Impairment losses	(4,520,491)	(4,709,092)
	6,935,102	7,224,442
Amounts due from subsidiaries	2,598,208	2,706,609
	9,533,310	9,931,051

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

8. Investment in subsidiaries (cont'd)

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

	Company	
	31 December 2015	31 December 2014
	HK\$'000	HK\$'000
At the beginning of the year	4,709,092	10,282
Impairment loss recognised	-	4,698,870
Exchange adjustments	(188,601)	(60)
At the end of the year	<u>4,520,491</u>	<u>4,709,092</u>

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

Name of company	Principal activities	Principal place of business/country of incorporation	Proportion of ownership interest	
			Held by the Company %	Held by a subsidiary %
China Everbright Water Investments Limited ("CEWIL")	Investment holding	British Virgin Islands ("BVI")	100	-
China Everbright Water International Pte. Ltd.	Investment holding	Singapore	100	-
Everbright Reusable Water Jiangyin Ltd	Design, construction, operation and maintenance of reusable water treatment plant	PRC	-	100
Everbright Water (Boxing) Limited	Design, construction, operation and maintenance of waste water treatment plants	PRC	-	100
Everbright Water (Dezhou) Limited	Design, construction, operation and maintenance of waste water treatment plants	PRC	-	100
Everbright Water (Jiangyin) Limited	Design, construction, operation and maintenance of waste water treatment plants	PRC	-	70
Everbright Water (Ji'nan) Limited	Design, construction, operation and maintenance of waste water treatment plants	PRC	-	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

8. Investment in subsidiaries (cont'd)

Name of company	Principal activities	Principal place of business/country of incorporation	Proportion of ownership interest	
			Held by the Company %	Held by a subsidiary %
Everbright Water (Lingxian) Limited	Design, construction, operation and maintenance of waste water treatment plants	PRC	-	100
Everbright Water (Xinyi) Limited	Design, construction, operation and maintenance of waste water treatment plants and surface water treatment plant	PRC	-	100
Everbright Water (Zhangqiu) Limited	Design, construction, operation and maintenance of waste water treatment plants	PRC	-	100
Everbright Water (Zibo) Limited	Design, construction, operation and maintenance of waste water treatment plants and reusable water treatment plant	PRC	-	100
Everbright Water (Zibo Zhoucun) Water Purification Co., Ltd.	Design, construction, operation and maintenance of waste water treatment plants	PRC	-	100
Everbright Water (Qingdao) Limited ("EB Water Qingdao")	Design, construction, operation and maintenance of waste water treatment plants	PRC	-	Note (b)
Qingdao Everbright Water Operating Limited	Operation of waste water treatment plants	PRC	-	99
Zibo Everbright Water Energy Development Company Limited	Design, construction, operation and maintenance of waste water source heat pump plants.	PRC	-	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

8. Investment in subsidiaries (cont'd)

Name of company	Principal activities	Principal place of business/country of incorporation	Proportion of ownership interest	
			Held by the Company %	Held by a subsidiary %
Everbright Water (Ji'nan Licheng) Limited	Design, construction, operation and maintenance of waste water treatment plants and reusable water treatment plant	PRC	-	100
Sanmenxia HanKore Co., Ltd	Design, construction, operation and maintenance of waste water treatment plants	PRC	-	100
Beijing Bio-Treat Water Co., Ltd	Design, construction, operation and maintenance of waste water treatment plants	PRC	-	100
Suzhou Jin Di Water Co., Ltd	Design, construction, operation and maintenance of waste water treatment plants	PRC	-	100
Nanjing Jin Huan Water Development Co., Ltd	Design, construction, operation and maintenance of waste water treatment plants	PRC	-	100
Binzhou Jin Di Co., Ltd	Design, construction, operation and maintenance of waste water treatment plants	PRC	-	100
Beijing Hankesen Environmental Technology Co., Ltd	Provide environment protection technologies, research and development of environmental protection products, consultancy and development services of waste water treatment technologies	PRC	-	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

8. Investment in subsidiaries (cont'd)

Name of company	Principal activities	Principal place of business/country of incorporation	Proportion of ownership interest	
			Held by the Company %	Held by a subsidiary %
Xianyang Bai Sheng Shui Purifying Co., Ltd	Design, construction, operation and maintenance of waste water treatment plants	PRC	-	100
Lianyungang King Fortune Water Co., Ltd	Design, construction, operation and maintenance of waste water treatment plants	PRC	-	100
Kunshan Gang Dong Wastewater Treatment Co., Ltd	Design, construction, operation and maintenance of waste water treatment plants	PRC	-	100
Nanjing Golden Idea Water Development Co., Ltd	Design, construction, operation and maintenance of waste water treatment plants	PRC	-	100
Everbright Water (Yangzhou) Limited	Design, construction, operation and maintenance of waste water treatment plants	PRC	-	100
Jiangsu Tongyong Environment Engineering Co., Ltd	Engineering, procurement and construction of equipment production, provision of equipment installation and design and construction of water treatment engineering	PRC	-	100
Dalian Dongda Water Co., Ltd*	Design, construction, operation and maintenance of waste water treatment plants and investment holding	PRC	-	Note 31(a)
Dalian Dongda Environment Group Chunliuhe Waste-water Treatment Co., Ltd*	Design, construction, operation and maintenance of waste water treatment plants	PRC	-	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

8. Investment in subsidiaries (cont'd)

Name of company	Principal activities	Principal place of business/country of incorporation	Proportion of ownership interest	
			Held by the Company %	Held by a subsidiary %
Dalian Siergou Water Co., Ltd*	Design, construction, operation and maintenance of waste water treatment plants	PRC	-	100
Panjin City Waste-water Treatment Co., Ltd*	Design, construction, operation and maintenance of waste water treatment plants	PRC	-	100
Anshan City Water Operating Co., Ltd*	Design, construction, operation and maintenance of waste water treatment plants	PRC	-	100
Dandong Dongda Waste-water Treatment Co., Ltd*	Design, construction, operation and maintenance of waste water treatment plants	PRC	-	100

* Newly acquired during the year ended 31 December 2015 (see Note 31[a])

Other than the newly acquired subsidiaries during the year ended 31 December 2015, there were no changes in the proportion of ownership interest held by the Company and subsidiaries for both financial year ended 31 December 2015 and 31 December 2014.

Notes:

- (a) All significant subsidiaries are audited by KPMG Hong Kong for group consolidation purpose. For this purpose, a subsidiary is considered significant as defined under the Singapore Exchange Limited Listing Manual if its net tangible assets represent 20% or more of the Group's consolidated net tangible assets, or if its pre-tax profits account for 20% or more of the Group's consolidated pre-tax profits.
- (b) Everbright Water (Qingdao) Holdings Limited ("EW (Qingdao) Holdings"), a wholly-owned subsidiary of the Company is committed to contribute 60% of EB Water Qingdao's registered capital. The remaining 40% registered capital is contributed by the PRC non-controlling interest stakeholder. EW (Qingdao) Holdings is fully entitled to the net profit of EB Water Qingdao for the first 14 years of the joint venture period. From the 15th year of the joint venture period onwards, the net profit of EB Water Qingdao is to be shared by EW (Qingdao) Holdings and the PRC non-controlling interest stakeholder on a 98:2 basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

9. Service concession financial receivables

	Group	
	31 December 2015	31 December 2014
	HK\$'000	HK\$'000
Non-current	7,713,209	6,219,236
Current	893,423	667,333
	8,606,632	6,886,569

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

- (a) The subsidiaries of the Group entered into service concession arrangements with the local government authorities (the “grantors”) for water/waste water treatment plants which are located in the PRC for concession periods ranging between 20 years to 32 years. Pursuant to the service concession arrangements, the Group has to design, construct and/or upgrade, operate and maintain water/waste water treatment plants in the PRC. The Group has the obligation to maintain the waste water treatment plants in good condition. The grantors guarantee the Group will receive minimum annual payments in connection with the arrangements. Upon expiry of the concession periods, the water/waste water treatment plants and the related facilities will be transferred to the grantors.

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

- (b) Water/waste water treatment plants with service concession financial receivables amounting to HK\$3,997,606,000 (2014: HK\$4,433,224,000) as at 31 December 2015 are pledged to secure loans taken up by the Group (Note 15).

Service concession financial receivables totalling HK\$8,606,632,000 (2014: HK\$6,886,569,000) bear interest at rates ranging from 5.65% to 7.83% (2014: 5.94% to 7.83%) per annum, of which HK\$363,816,000 (2014: HK\$394,966,000) are due from a non-controlling shareholder and HK\$647,007,000 (2014: HK\$685,541,000) are due from a related company as at 31 December 2015. The amounts are not yet due for payment and will be settled by revenue to be generated during the operating periods of the service concession arrangements. Amounts billed will be transferred to trade receivables (Note 11). No impairment loss was recognised by the Group at 31 December 2015 and 2014 in respect of the service concession financial receivables.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

10. Inventories

	Group	
	31 December 2015	31 December 2014
	HK\$'000	HK\$'000
At cost:		
Raw materials and consumables	10,689	28,912

11. Trade and other receivables

	Group		Company	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current				
Other receivables	18,405	16,096	-	-
Prepayments	21,120	-	21,120	-
	39,525	16,096	21,120	-
Current				
Trade receivables	464,440	241,941	-	-
Amounts due from subsidiaries	-	-	1,672,655	47,723
Other receivables and sundry deposits	122,552	39,407	-	-
Prepayments	54,533	49,825	-	509
	641,525	331,173	1,672,655	48,232
Total	681,050	347,269	1,693,775	48,232

Trade receivables represent revenue from operation services and the billed amounts of the service concession financial receivables. Trade receivables are non-interest bearing and are generally on 30 to 90 days credit terms. Included in trade receivables of the Group, HK\$13,312,000 (2014: HK\$35,134,000) are due from a non-controlling shareholder and HK\$8,628,000 (2014: HK\$10,734,000) are due from a related company as at 31 December 2015.

The amounts due from subsidiaries of the Company are unsecured, interest free and recoverable on demand.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

11. Trade and other receivables (cont'd)

As at 31 December 2015, included in other receivables of the Group is a consideration receivable of HK\$33,609,000 (2014: HK\$36,132,000) due from third parties arising from disposals of service concession rights held by the Suqian plants and included in prepayments is an advance made to a financial institution amounting to HK\$14,353,000 (2014: HK\$14,951,000) for the final instalment for a loan which matures on 10 June 2017, and a prepayment of HK\$7,644,000 (2014: Nil) to a non-controlling shareholder for construction works.

The Group and the Company's exposure to credit risk are disclosed in note 29(c).

12. Cash and cash equivalents

	Group		Company	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash on hand and bank balances	1,288,550	499,331	7,248	99,449
Short-term deposits	480,440	181,770	-	3,660
	<u>1,768,990</u>	<u>681,101</u>	<u>7,248</u>	<u>103,109</u>

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

	Group	
	31 December 2015	31 December 2014
	HK\$'000	HK\$'000
Cash and cash equivalents	1,768,990	681,101
Less: Restricted bank balances	<u>(480,440)</u>	<u>(181,770)</u>
	<u>1,288,550</u>	<u>499,331</u>

The restricted bank balances relate to bank deposits pledged to banks for borrowings (Note 15).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

13. Share capital

Note	Group			Company		
	2015	2014	2015	2015	No. of ordinary shares ('000)	Six months ended 31 December 2014
	No. of ordinary shares ('000)	No. of ordinary shares ('000)	No. of ordinary shares ('000)	No. of ordinary shares ('000)	No. of ordinary shares ('000)	No. of ordinary shares ('000)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Authorised share capital:						
At the beginning of the year/period	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Increase in authorised share capital	8,500,000	-	-	8,500,000	-	-
At the end of the year/period	10,000,000	1,500,000	1,500,000	10,000,000	1,500,000	1,500,000
Ordinary shares of HK\$1.00 each, issued and fully paid:						
At the beginning of the year/period	2,487,261	2,549,345	- *	2,487,261	2,549,345	570,443
Issue of ordinary shares (note)	120,691	120,691	- *	120,691	120,691	-
Issue of ordinary shares for exercise of warrants	62	62	-	62	62	-
Issue of employee shares options	-	-	-	-	-	38,633
Issue of ordinary shares relating to acquisition of subsidiaries	-	-	546,992	609,076	-	-
Issue of ordinary shares relating to the RTO	-	-	1,940,269	1,940,269	-	1,940,269
At the end of the year/period	2,608,014	2,670,098	2,487,261	2,549,345	2,608,014	2,487,261
					2,670,098	2,549,345

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

Note: On 21 April 2015, the Company allotted and issued 49,696,276 shares to International Finance Corporation and 70,994,681 shares to Dalvey Asset Holding Ltd, at an issue price of \$90.94 per share pursuant to subscriptions agreements entered into on 19 February 2015. Proceeds from such issue of ordinary shares amounted to HK\$659,031,000, out of which HK\$120,691,000 and HK\$538,340,000 were recorded in share capital and share premium of the Company respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

13. Share capital (cont'd)

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

14. Reserves

	Group		Company	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Share premium	1,210,050	1,914,548	-	11,584,834
Foreign currency translation reserve	(63,971)	266,571	(486,879)	(59,686)
Statutory reserve	121,317	94,999	-	-
Contributed surplus	1,243,508	-	7,653,288	-
Other reserves	(2,181)	(2,181)	64,953	64,953
Retained earnings	1,882,122	1,502,198	113,540	(4,430,317)
	<u>4,390,845</u>	<u>3,776,135</u>	<u>7,344,902</u>	<u>7,159,784</u>

(a) Share premium

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

Pursuant to the special resolution at the Special General Meeting of the Company held on 15 December 2015, the entire amount standing to the credit of the Company's share premium was reduced to nil and transferred to the contributed surplus. On the same date, contributed surplus of HK\$4,470,556,000 was utilised to offset against the accumulated losses of the Company as of that date.

Accordingly, the Group's share premium of HK\$1,243,508,000 attributed to the Company was transferred to the contributed surplus. The share premium of the Group represents CEWIL's share premium of HK\$1,210,050,000 arising from the issue of share for the capitalisation of the CEWIL's indebtedness of HK\$1,210,050,000 owing to the intermediate holding company in June 2014.

(b) Foreign currency translation reserve

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

14. Reserves (cont'd)

(c) Statutory reserve

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

(d) Contributed surplus

Contributed surplus arose from the reduction of share premium as disclosed in Note 14(a).

(e) Other reserves

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

15. Borrowings

	Group		Company	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current				
Bank borrowings	2,423,663	1,061,730	193,813	-
Current				
Bank borrowings	2,394,574	481,470	1,000,073	-
Notes payables	-	281,248	-	281,248
	2,394,574	762,718	1,000,073	281,248
Total	4,818,237	1,824,448	1,193,886	281,248
Repayable:				
- within 1 year	2,394,574	762,718	1,000,073	281,248
- after 1 year but within 5 years	2,273,953	812,677	193,813	-
- after 5 years	149,710	249,053	-	-
	4,818,237	1,824,448	1,193,886	281,248

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

15. Borrowings (cont'd)

Terms and debt repayment schedule

Terms and conditions of outstanding borrowings are as follows:

	Currency	Year of maturity	Nominal interest rate per annum	Face value HK\$'000	Carrying amount HK\$'000
Group					
31 December 2015					
Secured bank borrowings					
- floating interest rate	RMB	2016 - 2023	90% to 120% of PBOC rate*	709,414	709,414
- fixed interest rate	RMB	2016 - 2017	1.58% to 5.02%	1,529,864	1,529,864
Unsecured bank borrowings					
- floating interest rate	RMB	2016 - 2023	95% to 120% of PBOC rate*	733,226	733,226
- floating interest rate	USD	2016 - 2018	1.55% + LIBOR to 1.9% + LIBOR	814,013	814,013
- floating interest rate	HK\$	2016	1.65% + HIBOR	379,873	379,873
- fixed interest rate	RMB	2016 - 2017	4.60% to 5.37%	651,847	651,847
				<u>4,818,237</u>	<u>4,818,237</u>
31 December 2014					
Secured bank borrowings					
- floating interest rate	RMB	2017 - 2020	90% to 130% of PBOC rate*	669,492	669,492
- fixed interest rate	RMB	2015 - 2017	2.89% to 6.15%	370,383	370,383
Unsecured bank borrowings					
- floating interest rate	RMB	2015 - 2023	100% to 130% of PBOC rate*	503,325	503,325
Unsecured notes payable					
- fixed interest rate	SGD	2015	7.50%	281,248	281,248
				<u>1,824,448</u>	<u>1,824,448</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

15. Borrowings (cont'd)

Terms and debt repayment schedule (cont'd)

	Currency	Year of maturity	Nominal interest rate per annum	Face value HK\$'000	Carrying amount HK\$'000
Company					
31 December 2015					
Unsecured bank borrowings					
- floating interest rate	USD	2016 - 2018	1.55% + LIBOR to 1.9% + LIBOR	814,013	814,013
- floating interest rate	HK\$	2016	1.65% + HIBOR	379,873	379,873
				<u>1,193,886</u>	<u>1,193,886</u>
31 December 2014					
Unsecured notes payable					
- fixed interest rate	SGD	2015	7.50%	<u>281,248</u>	<u>281,248</u>

* PBOC rate denotes the People's Bank of China base lending rates.

Secured banking facilities of the Group are secured by certain revenue, receivables and intangible assets in connection with the Group's service concession arrangements, bank deposits and fixed assets of the Group. Such banking facilities, amounting to HK\$2,358,883,000 (2014: HK\$1,491,500,000), were utilised to the extent of HK\$2,239,278,000 (2014: HK\$1,039,875,000). Among the secured banking facilities, HK\$1,034,580,000 (2014: Nil) are guaranteed by the Company and were fully utilised at 31 December 2015.

At 31 December 2015, the unsecured banking facilities, amounting to HK\$2,776,612,000 (2014: HK\$503,325,000), were utilised to the extent of HK\$2,578,959,000 (2014: HK\$503,325,000). All of the non-current interest-bearing borrowings are carried at amortised costs. None of the non-current interest-bearing borrowings is expected to be settled within one year. Among the unsecured banking facilities, HK\$478,420,000 (2014: Nil) are guaranteed by the Company and were fully utilised at 31 December 2015.

Banking facilities of HK\$1,540,248,000 (2014: HK\$171,948,000) are subject to the fulfilment of covenants relating to certain of the Group's financial ratios as at 31 December 2015. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. At 31 December 2015, such facilities were utilised to the extent of HK\$1,342,596,000 (2014: HK\$171,948,000). The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in Note 29(d). As at 31 December 2015, none of the covenants relating to drawn down facilities had been breached (2014: Nil). Certain banking facilities also restrict the Company's subsidiaries from declaring or payment of dividends to shareholders or require the Group to process waste water treatment operating fees via respective financial institutions.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

15. Borrowings (cont'd)

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

	31 December 2015	31 December 2014
	HK\$'000	HK\$'000
Loans from a related party bank	57,769	84,105

The loans from a related party bank as at 31 December 2015 and 2014 are unsecured, bear interest at rates announced by the People's Bank of China and will be settled by annual equal instalment until 2018.

Unsecured fixed rate notes payable

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

16. Deferred tax liabilities

	Group	
	31 December 2015	31 December 2014
	HK\$'000	HK\$'000
Deferred tax liabilities	1,055,223	828,977

Movements in deferred tax liabilities during the year

Group	Note	Service concession arrangements and intangible assets HK\$'000	Undistributed profits of subsidiaries HK\$'000	Others HK\$'000	Total HK\$'000
At 1 January 2014		239,117	66,386	-	305,503
Exchange adjustments		(6,550)	(1,814)	-	(8,364)
Recognised in profit or loss	24	41,621	10,459	-	52,080
Acquisition of subsidiaries		479,758	-	-	479,758
At 31 December 2014 and 1 January 2015		753,946	75,031	-	828,977
Exchange adjustments		(35,455)	(4,150)	269	(39,336)
Recognised in profit or loss	24	52,522	18,352	-	70,874
Acquisition of subsidiaries	31(a)	185,105	24,131	(14,528)	194,708
At 31 December 2015		956,118	113,364	(14,259)	1,055,223

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

16. Deferred tax liabilities (cont'd)

Unrecognised deferred tax assets

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

	Group	
	31 December 2015	31 December 2014
	HK\$'000	HK\$'000
Tax losses expiring within 1 year	7,686	21,566
Tax losses expiring after 1 year but within 5 years	47,164	66,157
	54,850	87,723

17. Trade and other payables

	Group		Company	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current				
Amounts due to fellow subsidiaries	160,839	167,555	-	-
Amounts due to intermediate holding companies	79,921	80,920	-	-
Other creditors	-	15,850	-	-
	240,760	264,325	-	-
Current				
Trade payables	276,555	193,421	-	-
Amounts due to fellow subsidiaries	-	1,220	-	-
Amounts due to subsidiaries	-	-	16,967	43,241
Amounts due to intermediate holding companies	-	157,011	-	-
Other creditors and accrued expenses	198,875	248,191	8,483	25,554
	475,430	599,843	25,450	68,795
	716,190	864,168	25,450	68,795

As at 31 December 2015, other creditors include a guarantee deposit of HK\$21,034,000 (2014: HK\$31,471,000) by a former director of a subsidiary.

Trade payables totalling HK\$240,110,000 (2014: HK\$79,752,000) represent construction payables for the Group's Build-Transfer, Build-Operate-Transfer and certain Build-Own-Operate arrangements as at 31 December 2015, out of which HK\$1,196,000 (2014: HK\$1,246,000) is due to non-controlling shareholders respectively. The construction payables are not yet due for payment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

17. Trade and other payables (cont'd)

Included in the amounts due to the intermediate holding companies are balances of HK\$56,000,000 (2014: HK\$56,000,000) and HK\$23,921,000 (2014: HK\$49,840,000) which bear interest at HIBOR+2.5% and 93% of the rates announced by the People's Bank of China respectively as at 31 December 2015, out of which HK\$79,921,000 (2014: HK\$80,920,000) is repayable by 2017. The remaining amounts due to intermediate holding companies as at 31 December 2014 were unsecured, interest free and have no fixed terms of repayments.

The amounts due to fellow subsidiaries are unsecured and interest free except for HK\$160,839,000 (2014: HK\$167,555,000) which bears interest at 100% of the rates announced by the People's Bank of China as at 31 December 2015. Amounts due to fellow subsidiaries are repayable on demand except for HK\$160,839,000 (2014: HK\$167,555,000) as at 31 December 2015 which is repayable by 2017.

The amounts due to subsidiaries of the Company are unsecured, interest free and repayable on demand.

18. Other financial liabilities

	Note	Group		Company	
		31 December 2015 HK\$'000	31 December 2014 HK\$'000	31 December 2015 HK\$'000	31 December 2014 HK\$'000
Current					
Financial liabilities carried at fair value through profit or loss					
- Cross-currency swap	(a)	-	22,239	-	22,239
- Warrants	(b)	-	991	-	991
Total		-	23,230	-	23,230

(a) Cross-currency swap

On 19 September 2013, the Group had entered into a cross-currency swap with a financial institution. The swap was fully settled during the year ended 31 December 2015.

(b) Warrants

In prior year, the Company issued and defaulted on the convertible bonds. As part of the settlement agreed with the convertible bondholders ("CB Holders"), 75,198,000 warrants ("CB Warrants") were issued to the CB Holders. Each warrant can be exercised at an exercise price of S\$0.25 for one ordinary share at par value of HK\$1 each anytime. The exercise period for the warrants is from 26 April 2010 to 26 April 2015. At 31 December 2014, 263,462 CB Warrants were outstanding, the fair value of which amounted to HK\$991,000.

62,030 CB Warrants were exercised on 24 April 2015. 62,030 shares were allotted and issued on 27 April 2015, which raised proceeds of HK\$732,000, of which HK\$62,000 and HK\$670,000 were recorded in share capital and share premium of the Company respectively. The remaining 201,432 CB Warrants were not exercised and expired on 27 April 2015.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

19. Share-based payment arrangements

Employee share option scheme

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

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

- (i) The aggregate number of shares in respect of which options may be granted on any date under the Scheme, when added to the number of shares issued and issuable in respect of all options granted under the Scheme, shall not exceed 15% of the total number of issued shares of the Company excluding treasury shares from time to time.
- (ii) The aggregate number of shares available to controlling shareholders and their associates must not exceed 25% of the shares available under the Scheme and the number of shares available to each controlling shareholder and his associate must not exceed 10% of the shares available under the Scheme.
- (iii) The aggregate number of shares available to directors and employees of the Company and its subsidiaries must not exceed 20% of the shares available under the Scheme.

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

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

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

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

- (i) upon the option holder (excluding the controlling shareholder) ceasing to be in the employment of the Group, subject to other rules with the absolute discretion of the ESOS Committee; or
- (ii) upon the bankruptcy of the option holder or the happening of any other event which result in his being deprived of the legal or beneficial ownership of such option; or
- (iii) in the event of misconduct on the part of the option holder, as determined by the ESOS Committee at its absolute discretion.

On 15 November 2013, the Group granted 365,086,178 share options to certain key management personnel and certain employees. The exercise period for the granted share options is from 16 November 2014 to 15 November 2023. These share options have been fully exercised as at 31 December 2014. No share options were granted during the year ended 31 December 2015 and 2014.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

20. Revenue

	Group	
	31 December 2015	31 December 2014
	HK\$'000	HK\$'000
Construction services from service concession arrangement	586,788	106,528
Finance income from service concession arrangement	467,895	310,715
Operation income from service concession arrangement	755,365	625,069
Construction contract revenue	5,102	5,551
Discharge fees from waste water treatment and recycling	-	2,892
	<u>1,815,150</u>	<u>1,050,755</u>

21. Other income

	Group	
	31 December 2015	31 December 2014
	HK\$'000	HK\$'000
Government grant*	31,868	3,747
VAT refund	60,296	-
Sundry income	11,487	9,561
	<u>103,651</u>	<u>13,308</u>

* Government grant of HK\$31,868,000 (2014: HK\$3,747,000) was granted during the year ended 31 December 2015 to subsidise certain water/waste water treatment plants of the Group in the PRC. There were no unfulfilled conditions and other contingencies attached to the receipts of those grants. There is no assurance that the Group will continue to receive such grant in the future.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

22. Net finance cost

	Group	
	31 December 2015	31 December 2014
	HK\$'000	HK\$'000
Finance income		
Interest income from lending to a related party	-	(252)
Interest income on bank deposits	(3,400)	(1,770)
Other interest income	(6,399)	-
	(9,799)	(2,022)
Finance costs		
Interest expense on:		
- bank borrowings	102,591	69,746
- notes payable	12,299	2,449
- intermediate holding company	3,836	4,680
- fellow subsidiary	9,272	15,357
	127,998	92,232
Net finance cost	118,199	90,210

23. Profit before tax

	Group	
	31 December 2015	31 December 2014
	HK\$'000	HK\$'000
Included in cost of sales:		
- amortisation of intangible assets	56,770	9,141
Included in administrative expenses:		
- amortisation of intangible assets	1,231	1,349
- depreciation on property, plant and equipment	13,826	13,748
- loss on disposal of property, plant and equipment	510	-
Included in other operating expenses:		
- fair value loss on cross-currency swap	9,555	5,014
- foreign exchange (gain)/loss, net	(340)	2,855

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

23. Profit before tax (cont'd)

	Group	
	31 December 2015	31 December 2014
	HK\$'000	HK\$'000
Staff costs:		
- wages and salaries	161,027	65,273
- defined contribution plans	34,741	15,089
- welfare and other benefits	17,066	5,458
Fees paid to auditor of the Company		
- audit fees	822	1,458
- non-audit fees	339	-
Fees paid to other auditors		
- audit fees	2,628	1,458
- audit related fees	-	2,521
- non-audit fees	220	1,201

24. Tax expense

	Group	
	31 December 2015	31 December 2014
	HK\$'000	HK\$'000
Current tax expense:		
Current year	99,095	70,155
Under/(over)-provision in prior years	2,493	(3,418)
	101,588	66,737
Deferred tax expense:		
Movements in temporary differences	70,874	52,080
Total tax expense	172,462	118,817

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

No provision for Singapore and Hong Kong income tax were made as the Group did not earn any income subject to Singapore and Hong Kong income tax during 2015 and 2014.

Pursuant to the rules and regulations of the British Virgin Islands and Bermuda, the Group is not subject to any income tax in these jurisdiction in 2015 and 2014.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

24. Tax expense (cont'd)

Taxation for the PRC operations is charged at the statutory rate of 25% of the assessable profits under taxation ruling of the PRC. During 2015 and 2014, certain PRC subsidiaries are subject to tax at 50% of the standard rates or fully exempt from income tax under the relevant tax rules and regulations.

Reconciliation of effective tax rate

	Group	
	31 December 2015	31 December 2014
	HK\$'000	HK\$'000
Profit before tax	596,130	432,815
Tax calculated at tax rate of 25% (2014: 25%)	149,033	108,203
Effect of tax rates in foreign jurisdictions	13,877	5,255
Tax concession	(7,108)	(8,875)
Non-taxable income	(8,540)	(3,667)
Non-deductible expenses	7,571	8,166
Current year losses for which no deferred tax is recognised	1,645	2,694
Utilisation of tax losses not recognised in prior years	(4,861)	-
Under/(over)-provision in prior years	2,493	(3,418)
Withholding tax on undistributed profits of PRC subsidiaries	18,352	10,459
	172,462	118,817

25. Earnings per share

(a) Basic earnings per share

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

	Group	
	31 December 2015	31 December 2014
	HK\$'000	HK\$'000
Profit for the year attributable to equity holders of the Company	406,242	292,796
Weighted average number of ordinary shares outstanding during the year (million shares)	2,571	1,969
Basic earnings per share (HK\$)	0.16	0.15

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

25. Earnings per share (cont'd)

(b) Diluted earnings per share

The calculation of diluted earnings per share is the same as the basic earnings per share for the years ended 31 December 2015 and 31 December 2014 as the Company did not have any dilutive potential ordinary shares which were outstanding for both financial years.

26. Related party transactions

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

Compensation of directors and key management personnel

	Group	
	31 December 2015	31 December 2014
	HK\$'000	HK\$'000
Salaries, bonus and related benefits	14,962	842
Directors' fees	1,143	76
Defined contribution plans	187	3
	<u>16,292</u>	<u>921</u>
Comprised amounts paid/payable to:		
Directors of the Company	10,377	506
Other key management personnel	5,915	415
	<u>16,292</u>	<u>921</u>

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

- (a) The Group entered into the following related party transactions with a related party bank which is under the common control of its ultimate controlling party:

	Group	
	31 December 2015	31 December 2014
	HK\$'000	HK\$'000
Interest expense	<u>3,984</u>	<u>7,073</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

26. Related party transactions (cont'd)

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

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

	Group	
	31 December 2015	31 December 2014
	HK\$'000	HK\$'000
Service expense for operation of waste water treatment plants	-	31,185

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

	Group	
	31 December 2015	31 December 2014
	HK\$'000	HK\$'000
Revenue from operation services	70,271	55,292
Finance income	25,197	26,753

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

	Group	
	31 December 2015	31 December 2014
	HK\$'000	HK\$'000
Revenue from operating services	52,400	56,161
Finance income	50,687	52,596

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

	Group	
	31 December 2015	31 December 2014
	HK\$'000	HK\$'000
Rental expenses	1,111	-
Construction management and consultancy fee expense	-	18,567

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

26. Related party transactions (cont'd)

- (f) The ultimate controlling party of the Group is a PRC state-owned entity. The Group operates in an economic regime currently dominated by entities directly or indirectly controlled by the PRC government through its government authorities, agencies, affiliations and other organisations [collectively "other government-related entities"]. The Group engages in a wide variety of transactions with the other government-related entities including, but not limited to the provision of water/waste water treatment and construction services, bank deposits and borrowings, and utilities consumptions. Such transactions are conducted in the ordinary course of the Group's business and having due regard to the substance of the relationships, the directors are of the opinion that there are no other material related party transactions that require separate disclosure other than the transactions and balances disclosed in these financial statements.

27. Commitments

(a) Capital commitments

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

	Group	
	31 December 2015	31 December 2014
	HK\$'000	HK\$'000
Capital expenditure on purchase of property, plant and equipment and construction of plants:		
- contracted but not provided for in the financial statements	202,987	308,667

(b) Operating lease commitments

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

	Group	
	31 December 2015	31 December 2014
	HK\$'000	HK\$'000
Within 1 year	3,688	4,930
After 1 year but within 5 years	1,984	3,533
	<u>5,672</u>	<u>8,463</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

28. Segment information

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

The accounting policies of the reportable segments are disclosed in Note 3.18. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and expense, interest-bearing borrowings and related expenses and income and deferred taxes. No operating segments have been aggregated to form the following reportable operating segments.

Business segments

There is only one reportable segment as the Group's operations relate to water treatment business for the years ended 31 December 2015 and 2014:

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

Geographical segments

All of the Group's revenue are derived from the Group's operations in the PRC. All non-current assets are located in the PRC.

Major customers

For the year ended 31 December 2015, the Group had transactions with three local government authorities in the PRC (2014: none) which individually exceeded 10% of the Group's revenue. The revenue from these customers during the year ended 31 December 2015 amounted to HK\$302,592,000, HK\$274,873,000 and HK\$191,675,000 respectively.

The aggregated revenue from construction services, finance income and operation income derived from local government authorities in the PRC amounted to HK\$1,731,260,000 (2014: HK\$955,524,000) for the year ended 31 December 2015. Details of concentrations of credit risk arising from these customers are set out in note 29(c).

29. Financial management

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

29. Financial management (cont'd)

(a) Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's and Company's exposures to interest rate risk relates primarily to the Group's interest-bearing assets and liabilities. The Group does not enter into interest rate swaps to manage its interest rate risk.

The table below sets out the Group's and Company's exposure to interest rate risks at the reporting date.

	The Group		Company	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fixed rate instruments				
Borrowings	(2,181,711)	(651,631)	-	(281,248)
Variable rate instruments				
Cash and cash equivalents	1,768,990	681,101	7,248	103,109
Borrowings	(2,636,526)	(1,172,817)	(1,193,886)	-
Trade and other payables	(240,760)	(273,395)	-	-
	<u>(1,108,296)</u>	<u>(765,111)</u>	<u>(1,186,638)</u>	<u>103,109</u>

Sensitivity analysis

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

	Group		Company	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Floating rate instruments:				
- 100 basis points increase	(11,083)	(7,651)	(11,866)	1,031
- 100 basis points decrease	<u>11,083</u>	<u>7,651</u>	<u>11,866</u>	<u>(1,031)</u>

(b) Foreign currency risk

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

29. Financial management (cont'd)

(b) Foreign currency risk (cont'd)

The Company entered into a USD/SGD cross-currency swap with a financial institution on 19 September 2013. On the initial exchange date, being 25 September 2013, the Company received USD28,766,582 in exchange for SGD35,800,000. On maturity during the year ended 31 December 2015, the Group received SGD50,000,000 in exchange for USD40,176,778. The Group classifies the cross currency swap as financial liabilities at fair value through profit or loss at 31 December 2014.

Exposure to currency risk

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

	RMB HK\$'000	SGD HK\$'000	HK\$ HK\$'000	USD HK\$'000
Group				
31 December 2015				
Financial assets				
Cash and cash equivalents	553,974	2,649	7,409	36,601
Financial liabilities				
Borrowings	-	-	(379,873)	(814,013)
Trade and other payables	(23,921)	-	-	-
	(23,921)	-	(379,873)	(814,013)
Net exposure	530,053	2,649	(372,464)	(777,412)
31 December 2014				
Financial assets				
Cash and cash equivalents	33,075	103,646	-	734
Financial liabilities				
Borrowings	-	(281,248)	-	-
Trade and other payables	(49,840)	-	-	-
Other financial liabilities	-	(991)	-	-
	(49,840)	(282,239)	-	-
Net financial (liabilities)/assets	(16,765)	(178,593)	-	734
Cross-currency swap	-	-	-	(22,239)
Net exposure	(16,765)	(178,593)	-	(21,505)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

29. Financial management (cont'd)

(b) Foreign currency risk (cont'd)

Exposure to currency risk (cont'd)

	RMB HK\$'000	SGD HK\$'000	HK\$ HK\$'000	USD HK\$'000
Company				
31 December 2015				
Financial assets				
Trade and other receivables	-	48,682	138,935	1,422,635
Cash and cash equivalents	-	992	1,074	5,182
	-	49,674	140,009	1,427,817
Financial liabilities				
Borrowings	-	-	(379,873)	(814,013)
Trade and other payables	-	(10,244)	(179)	(21)
	-	(10,244)	(380,052)	(814,034)
Net exposure	-	39,430	(240,043)	613,783
31 December 2014				
Financial assets				
Cash and cash equivalents	-	102,279	-	734
Financial liabilities				
Borrowings	-	(281,248)	-	-
Other financial liabilities	-	(991)	-	-
	-	(282,239)	-	-
Net financial (liabilities)/assets	-	(179,960)	-	734
Cross-currency swap	-	-	-	(22,239)
Net exposure	-	(179,960)	-	(21,505)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

29. Financial management (cont'd)

(b) Foreign currency risk (cont'd)

Sensitivity analysis

A reasonably possible strengthening (weakening) of RMB, SGD, HK\$ and USD against the respective entity's functional currency at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and increased/(decreased) profit before taxation by the amounts shown below. This analysis assumes that all other variables, in particular interest and tax rates, remain constant.

	Group		Company	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
RMB				
- strengthened 10%	53,005	(1,677)	-	-
- weakened 10%	(53,005)	1,677	-	-
SGD				
- strengthened 10%	265	(17,859)	3,943	(17,996)
- weakened 10%	(265)	17,859	(3,943)	17,996
HK\$				
- strengthened 10%	(37,246)	-	(24,004)	-
- weakened 10%	37,246	-	24,004	-
USD				
- strengthened 10%	(77,741)	(2,151)	61,378	(2,151)
- weakened 10%	77,741	2,151	(61,378)	2,151

(c) Credit risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

29. Financial management (cont'd)

(c) Credit risk (cont'd)

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

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

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

Significant concentration of credit risk

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

The ageing of trade receivables that were past due at the reporting date is as follows:

	Group	
	31 December 2015	31 December 2014
	HK\$'000	HK\$'000
Not past due	212,845	161,035
Past due:		
- 1 to 30 days	36,099	15,340
- 31 to 90 days	45,895	26,081
- 91 days to 180 days	43,807	7,264
- 181 days to 365 days	76,598	16,966
- more than 1 year but within 2 years	49,196	15,255
	464,440	241,941

As disclosed in Note 11, the Group has a consideration receivable of HK\$33,609,000 (2014: HK\$36,132,000) due from third parties arising from disposal of service concession rights, the ageing of which is as follows:

Current	20,333	28,781
Past due:		
- within 1 year	6,219	5,358
- more than 1 year but within 2 years	5,143	1,993
- over 2 years	1,914	-
	33,609	36,132

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

29. Financial management (cont'd)

(c) Credit risk (cont'd)

Significant concentration of credit risk (cont'd)

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

(d) Liquidity risk

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

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

	Carrying amount HK\$'000	Contractual cash flows HK\$'000	Cash flows		
			Within 1 year HK\$'000	Between 2 to 5 years HK\$'000	After 5 years HK\$'000
Group					
31 December 2015					
Borrowings	4,818,237	5,248,456	2,595,316	2,488,068	165,072
Trade and other payables	716,190	742,999	488,028	254,971	-
	<u>5,534,427</u>	<u>5,991,455</u>	<u>3,083,344</u>	<u>2,743,039</u>	<u>165,072</u>
31 December 2014					
Borrowings	1,824,448	2,216,464	895,199	1,010,737	310,528
Trade and other payables	864,168	864,168	599,841	264,327	-
Other financial liabilities#	22,239	22,239	22,239	-	-
	<u>2,710,855</u>	<u>3,102,871</u>	<u>1,517,279</u>	<u>1,275,064</u>	<u>310,528</u>
Company					
31 December 2015					
Borrowings	1,193,886	1,235,915	1,029,001	206,914	-
Trade and other payables	25,450	25,450	25,450	-	-
	<u>1,219,336</u>	<u>1,261,365</u>	<u>1,054,451</u>	<u>206,914</u>	<u>-</u>
31 December 2014					
Borrowings	281,248	302,034	302,034	-	-
Trade and other payables	68,795	68,795	68,795	-	-
Other financial liabilities#	22,239	22,239	22,239	-	-
	<u>372,282</u>	<u>393,068</u>	<u>393,068</u>	<u>-</u>	<u>-</u>

Excludes warrants

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

29. Financial management (cont'd)

(e) Capital management

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

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

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

	Group	
	31 December 2015	31 December 2014
	HK\$'000	HK\$'000
Net debt	3,765,437	2,030,745
Total equity	7,297,020	6,551,160
Net debt against equity ratio	<u>0.52</u>	<u>0.31</u>

The Group is in compliance with all externally imposed capital requirements for the financial years ended 31 December 2015 and 31 December 2014.

The Group's subsidiaries in the PRC are required to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This has been complied with by the relevant subsidiaries for the financial years ended 31 December 2015 and 31 December 2014.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

30. Fair values

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

Determination of fair values

(a) Non-current borrowings

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

(b) Cross-currency swap

Fair value is based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.

(c) Warrants

The valuation methodology used at 31 December 2014 was the Binomial Valuation model.

(d) Other financial assets and liabilities

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

30. Fair values (cont'd)

Accounting classifications and fair values

Fair values versus carrying amounts

The carrying amount of the non-current portion of loans and receivables, interest-bearing borrowings and other payables approximate their fair values as the interest rates approximate the market rate of interest at the reporting date.

	Note	Loans and receivables HK\$'000	Financial liabilities at fair value through profit or loss HK\$'000	Other financial liabilities within the scope of IAS 39 HK\$'000	Carrying amount HK\$'000	Fair value HK\$'000
Group						
31 December 2015						
Assets						
Service concession financial receivables	9	8,606,632	-	-	8,606,632	8,606,632
Trade and other receivables*	11	605,397	-	-	605,397	605,397
Cash and cash equivalents	12	1,768,990	-	-	1,768,990	1,768,990
		<u>10,981,019</u>	<u>-</u>	<u>-</u>	<u>10,981,019</u>	<u>10,981,019</u>
Liabilities						
Borrowings	15	-	-	4,818,237	4,818,237	4,818,237
Trade and other payables	17	-	-	716,190	716,190	716,190
		<u>-</u>	<u>-</u>	<u>5,534,427</u>	<u>5,534,427</u>	<u>5,534,427</u>
31 December 2014						
Assets						
Service concession financial receivables	9	6,886,569	-	-	6,886,569	6,886,569
Trade and other receivables*	11	297,444	-	-	297,444	297,444
Cash and cash equivalents	12	681,101	-	-	681,101	681,101
		<u>7,865,114</u>	<u>-</u>	<u>-</u>	<u>7,865,114</u>	<u>7,865,114</u>
Liabilities						
Borrowings	15	-	-	1,824,448	1,824,448	1,824,448
Trade and other payables	17	-	-	864,168	864,168	864,168
Other financial liabilities	18	-	23,230	-	23,230	23,230
		<u>-</u>	<u>23,230</u>	<u>2,688,616</u>	<u>2,711,846</u>	<u>2,711,846</u>

* Excludes prepayments

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

30. Fair values (cont'd)

Accounting classifications and fair values (cont'd)

Fair values versus carrying amounts (cont'd)

	Note	Loans and receivables HK\$'000	Financial liabilities at fair value through profit or loss HK\$'000	Other financial liabilities within the scope of IAS 39 HK\$'000	Carrying amount HK\$'000	Fair value HK\$'000
Company						
31 December 2015						
Assets						
Trade and other receivables	11	1,672,655	-	-	1,672,655	1,672,655
Cash and cash equivalents	12	7,248	-	-	7,248	7,248
		<u>1,679,903</u>	<u>-</u>	<u>-</u>	<u>1,679,903</u>	<u>1,679,903</u>
Liabilities						
Borrowings	15	-	-	1,193,886	1,193,886	1,193,886
Trade and other payables	17	-	-	25,450	25,450	25,450
		<u>-</u>	<u>-</u>	<u>1,219,336</u>	<u>1,219,336</u>	<u>1,219,336</u>
31 December 2014						
Assets						
Trade and other receivables*	11	47,723	-	-	47,723	47,723
Cash and cash equivalents	12	103,109	-	-	103,109	103,109
		<u>150,832</u>	<u>-</u>	<u>-</u>	<u>150,832</u>	<u>150,832</u>
Liabilities						
Borrowings	15	-	-	281,248	281,248	281,248
Trade and other payables	17	-	-	68,795	68,795	68,795
Other financial liabilities	18	-	23,230	-	23,230	23,230
		<u>-</u>	<u>23,230</u>	<u>350,043</u>	<u>373,273</u>	<u>373,273</u>

* Excludes prepayments

Fair value hierarchy

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

30. Fair values (cont'd)

Fair value hierarchy (cont'd)

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

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

The following table presents the derivative financial instruments measured at fair value at 31 December 2014. There are no derivative financial instruments measured at fair value at 31 December 2015.

Financial instruments carried at fair value

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

31. Acquisition of subsidiaries

(a) Acquisition of Dalian Donga Water Co., Ltd ("Dalian Dongda")

On 28 August 2015, the Company and Beijing Everbright Water Investment Management Co., Ltd ("BEWI"), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement ("the Agreement") with Dongda Group Co., Ltd ("Dongda Group") and Mr. Liu Yubao (together "the Sellers"), pursuant to which BEWI agreed to acquire the entire equity interest in Dalian Dongda and provide new shareholder's loan to Dalian Dongda as it retires all outstanding debts due by the Dalian Dongda Group to one of the Sellers, Dongda Group, at a total consideration of RMB1,843,978,000 (approximately equivalent to HK\$2,238,866,000).

At the date of acquisition, the Dalian Dongda Group and certain of its subsidiaries had claims against relevant PRC government authorities for RMB203 million (HK\$246 million or S\$45 million) under certain SCAs. Any claim amounts recovered from the relevant PRC government authorities within three years from completion of acquisition of 90% equity interest in Dalian Dongda Group by BEWI on 4 November 2015 will be payable to Dongda Group. Dalian Dongda Group will also bear taxes, if any, arising from the actual receipt of these claims. Having considered all currently available information, the directors are of the view that the recovery of the claims is not probable and that any tax liability in relation to the receipt of these claims is remote.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

31. Acquisition of subsidiaries (cont'd)

(a) Acquisition of Dalian Donga Water Co., Ltd ("Dalian Dongda") (cont'd)

The remaining 10% equity interest ("Remaining Interest") will be transferred to BEWI over a three-year period based on the proportion of the claims recovered. All of the Remaining Interest will be transferred to BEWI regardless of how much these claims are recovered at the end of the three-year period.

Pursuant to the Agreement, upon the completion of acquisition of the 90% equity interest in Dalian Dongda, BEWI is entitled to the share of profits or loss, assets and liabilities of Dalian Dongda in respect of the Remaining Interest, even though the Remaining Interest will be transferred to BEWI over the three-year period.

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

	Fair value on date of acquisition HK\$'000
Property, plant and equipment	380
Intangible assets	574,252
Service concession financial receivables	1,558,620
Trade and other receivables	216,318
Cash and cash equivalents	75,529
Borrowings	(161,282)
Deferred tax liabilities	(194,708)
Trade and other payables	(75,182)
Current tax liabilities	(26,883)
Net assets acquired	1,967,044
Goodwill on consolidation	271,822
Purchase consideration	<u>2,238,866</u>
Cash consideration	2,238,866
Cash acquired	(75,529)
Net cash outflow	<u>2,163,337</u>

From the date of acquisition to 31 December 2015, Dalian Dongda contributed revenue of HK\$34,264,000 and profit of HK\$7,534,000 to the Group's net profit for the year ended 31 December 2015. Had the acquisition taken place on 1 January 2015, the consolidated revenue and profit for the year of the Group would have been HK\$2,055,125,000 and HK\$462,014,000 respectively. In determining these amounts, management assumed that the fair value adjustments to the acquired assets and liabilities that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2015.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

31. Acquisition of subsidiaries (cont'd)

(a) Acquisition of Dalian Donga Water Co., Ltd ("Dalian Dongda") (cont'd)

Measurement of fair values

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

<u>Assets required</u>	<u>Valuation technique</u>
Property, plant and equipment	Fair value less cost of disposal using discount cash flow analysis
Intangible assets	Fair value less cost of disposal using discount cash flow analysis
Service concession financial receivables	Fair value less cost of disposal using discount cash flow analysis

(b) Reverse takeover of the Company

On 2 June 2014, the Company entered into a conditional sale and purchase agreement (the "Acquisition Agreement") with China Everbright Water Holdings Limited ("CEWHL") in respect of the acquisition of the shares of China Everbright Water Investments Limited ("CEWIL") by the Company from the vendor for a consideration of RMB5,811,267,000 to be satisfied by allotment and issue of 1,940,269,305 new shares to the vendor.

The acquisition resulted in a Reverse Takeover ("RTO") of the Company by CEWHL, who holds approximately 78% of the shares and voting rights in the Company at the completion date on 12 December 2014. At Group level, the acquisition has been accounted as a RTO in accordance with IFRS 3 Business Combinations. The legal subsidiary, CEWIL, is regarded as the acquirer and the Company as the acquiree, for accounting purposes.

32. Immediate and ultimate controlling party

The directors consider the immediate parent and ultimate controlling party of the Group to be China Everbright Water Holdings Limited and China Investment Corporation, which are incorporated in the British Virgin Islands and the PRC respectively. China Everbright International Limited, the intermediate holding company, produces consolidated financial statements available for public use.

33. Subsequent events

- (a) On 14 January 2016, 15 January 2016 and 18 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 (approximately HK\$21 million) pursuant to share buy-back mandate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

33. Subsequent events (cont'd)

(b) Dividends

After the reporting date, the following exempt (one-tier) dividends were proposed by the directors. These exempt (one-tier) dividends have not been provided for.

For the year ended 31 December

	Group and Company	
	2015	2014
	HK\$'000	HK\$'000
SGDO.0035 per ordinary share (2014: Nil)	50,125	-

STATISTICS OF SHAREHOLDINGS

AS AT 21 MARCH 2016

Authorised share capital	:	HKD10,000,000,000
Issued and fully paid-up capital	:	HKD2,662,304,886
Class of shares	:	Ordinary shares of HKD1.00 each
Number of Shares	:	2,600,220,862
Voting rights	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 ~ 99	399	6.79	9,941	0.00
100 ~ 1,000	1,340	22.80	708,267	0.03
1,001 ~ 10,000	2,559	43.53	12,886,759	0.50
10,001 ~ 1,000,000	1,558	26.51	96,527,698	3.71
1,000,001 AND ABOVE	22	0.37	2,490,088,197	95.76
TOTAL	5,878	100.00	2,600,220,862	100.00

On the basis of the information available to the Company, approximately 25.3% of the equity securities of the Company are held in the hands of the public. This is in compliance with Rule 723 of the Listing Manual of the SGX-ST, which requires at least 10% of a listed issuer's equity securities to be held by the public.

TWENTY LARGEST SHAREHOLDERS

	NAME	NO. OF SHARES	%
1.	CHINA EVERBRIGHT WATER HOLDINGS LIMITED	1,940,269,305	74.62
2.	CITIBANK NOMINEES SINGAPORE PTE LTD	196,543,355	7.56
3.	RAFFLES NOMINEES (PTE) LIMITED	126,214,472	4.85
4.	DBS NOMINEES (PRIVATE) LIMITED	61,155,711	2.35
5.	BANK OF SINGAPORE NOMINEES PTE. LTD.	28,721,356	1.10
6.	DBSN SERVICES PTE. LTD.	25,437,787	0.98
7.	PHILLIP SECURITIES PTE LTD	23,097,066	0.89
8.	OCBC SECURITIES PRIVATE LIMITED	19,424,841	0.75
9.	MAYBANK KIM ENG SECURITIES PTE. LTD.	14,493,687	0.56
10.	HSBC (SINGAPORE) NOMINEES PTE LTD	14,044,165	0.54
11.	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	8,580,110	0.33
12.	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	6,947,556	0.27
13.	CIMB SECURITIES (SINGAPORE) PTE. LTD.	5,842,998	0.22
14.	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	4,424,754	0.17
15.	DB NOMINEES (SINGAPORE) PTE LTD	2,848,323	0.11
16.	ABN AMRO CLEARING BANK N.V.	2,562,067	0.10
17.	CHIEW CARLTON	2,500,000	0.10
18.	UOB KAY HIAN PRIVATE LIMITED	1,849,757	0.07
19.	CITIBANK CONSUMER NOMINEES PTE LTD	1,720,785	0.07
20.	IYER ANJALI SUBRAMANIAN	1,200,102	0.05
	TOTAL	2,487,878,197	95.69

STATISTICS OF SHAREHOLDINGS

AS AT 21 MARCH 2016

SUBSTANTIAL SHAREHOLDERS

NAME OF SUBSTANTIAL SHAREHOLDER	DIRECT INTEREST		DEEMED INTEREST	
	NO. OF SHARES HELD	%	NO. OF SHARES HELD	%
China Everbright Water Holdings Limited	1,940,269,305	74.62	-	-
China Everbright Environmental Protection Holdings Limited ⁽¹⁾	-	-	1,940,269,305	74.62
China Everbright International Limited ⁽²⁾	-	-	1,940,269,305	74.62
Guildford Limited ⁽³⁾	-	-	1,940,269,305	74.62
Datten Investments Limited ⁽⁴⁾	-	-	1,940,269,305	74.62
China Everbright Holdings Company Limited ⁽⁵⁾	-	-	1,940,269,305	74.62
China Everbright Group Ltd. ⁽⁶⁾	-	-	1,940,269,305	74.62
Central Huijin Investment Ltd. ⁽⁷⁾	-	-	1,940,269,305	74.62

Notes:

- (1) China Everbright Environmental Protection Holdings Limited, which is the holding company of China Everbright Water Holdings Limited, is deemed to have an interest in the Shares held by China Everbright Water Holdings Limited.
- (2) China Everbright International Limited is the holding company of China Everbright Environmental Protection Holdings Limited and is deemed to have an interest in the Shares in which China Everbright Environmental Protection Holdings Limited has an interest.
- (3) Guildford Limited holds more than 20 per cent. but not more than 50 per cent. of the total issued shares of China Everbright International Limited and is deemed to have an interest in the Shares in which China Everbright International Limited has an interest.
- (4) Datten Investments Limited is the holding company of Guildford Limited and is deemed to have an interest in the Shares in which Guildford Limited has an interest.
- (5) China Everbright Holdings Company Limited is the holding company of Datten Investments Limited and is deemed to have an interest in the Shares in which Datten Investments Limited has an interest.
- (6) China Everbright Group Ltd. is the holding company of China Everbright Holdings Company Limited and is deemed to have an interest in the Shares in which China Everbright Holdings Company Limited has an interest.
- (7) Central Huijin Investment Ltd. holds 55.67 per cent. of the shares in China Everbright Group Ltd. and is deemed to have an interest in the Shares in which China Everbright Group Ltd. has an interest.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of China Everbright Water Limited (the “Company”) will be held at Pan Pacific Singapore, Ocean 4-5, Level 2, 7 Raffles Boulevard, Marina Square, Singapore 039595 on Monday, 25 April 2016 at 9.30 am to transact the following businesses:-

AS ORDINARY BUSINESS

1. To receive and consider the Directors’ Statement and Audited Financial Statements of the Company for the financial year ended 31 December 2015 and the Auditors’ Report thereon. **(Resolution 1)**
2. To declare a final tax exempt 1-Tier dividend of S\$0.0035 for the financial year ended 31 December 2015 as recommended by the Directors. **(Resolution 2)**
3. To approve the payment of Directors’ fees of S\$207,500 for the financial year ended 31 December 2015. (2014 : S\$200,000/-) **(Resolution 3)**
4. To re-elect the following Directors retiring pursuant to the Company’s Bye-Laws, and who, being eligible, will offer themselves for re-election:-
 - (a) Mr. Chen Tao [retiring pursuant to Bye-Law 85(6)]; **(Resolution 4a)**
 - (b) Mr. Zhai Haitao [retiring pursuant to Bye-Law 85(6)]; **(Resolution 4b)**
[See Explanatory Note i]
 - (c) Mr. Lim Yu Neng Paul [retiring pursuant to Bye-Law 86(1)]; and **(Resolution 4c)**
[See Explanatory Note ii]
 - (d) Ms. Cheng Fong Yee [retiring pursuant to Bye-Law 86(1)]. **(Resolution 4d)**
[See Explanatory Note iii]
5. To re-appoint Messrs KPMG LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**

AS SPECIAL BUSINESS

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

6. Authority to allot and issue shares
 - (a) That, pursuant to Company’s Bye-laws, and the listing rules of the Singapore Exchange Securities Trading Limited (“SGX-ST”), approval be and is hereby given to the Directors of the Company at any time to such persons and upon such terms and for such purposes as the Directors may in their absolute discretion deem fit, to:
 - (i) issue shares in the capital of the Company (“Shares”) whether by way of right, bonus or otherwise;
 - (ii) make or grant offers, agreements or options that might or would require Shares to be issued or other transferable rights to subscribe for or purchase Shares (collectively, “Instruments”) including but not limited to the creation and issue of warrants, debentures or other instruments convertible into Shares;
 - (iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues; and

NOTICE OF ANNUAL GENERAL MEETING

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

provided always that:

- (i) the aggregate number of Shares to be issued pursuant to this resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed fifty per cent. (50%) of the total number of issued Shares excluding treasury shares of the Company, of which the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) to be issued other than on a pro rata basis to existing shareholders of the Company does not exceed twenty per cent. (20%) of the total number of issued Shares excluding treasury shares of the Company, and for the purpose of this resolution, the issued share capital shall be the total number of issued Shares excluding treasury shares at the time this resolution is passed, after adjusting for;
- a) new Shares arising from the conversion or exercise of any convertible securities, or
 - b) new Shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this resolution is passed provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the listing manual of the SGX-ST (the “**Listing Manual**”); and
 - c) any subsequent bonus issue, consolidation or subdivision of Shares, and
- (ii) such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.
(See Explanatory Note iv) **(Resolution 6)**

7. Authority to allot and issue Shares under the China Everbright Water Limited Scrip Dividend Scheme (the “**Scrip Dividend Scheme**”).

That authority be and is hereby given to the Directors to allot and issue from time to time such number of Shares as may be required to be allotted and issued pursuant to the Scrip Dividend Scheme.

(See Explanatory Note v)

(Resolution 7)

8. Authority to grant options and issue Shares under the China Everbright Water Limited Employee Share Option Scheme. [formerly known as the HanKore Employee Share Option Scheme]

That, the Directors of the Company be and are hereby empowered to offer and grant options, and to allot and issue from time to time such number of Shares as may be required to be issued or transferred pursuant to the exercise of options granted under the China Everbright Water Limited Employee Share Option Scheme (the “**Scheme**”) provided always that the aggregate number of Shares in respect of which such options may be granted and which may be issued pursuant to the Scheme shall not exceed fifteen per cent. (15%) of the total number of issued Shares excluding treasury shares of the Company from time to time.

(See Explanatory Note vi)

(Resolution 8)

NOTICE OF ANNUAL GENERAL MEETING

9. Renewal of the share buy-back mandate

That:

- (a) the Directors be and are hereby authorised to exercise all the powers of the Company to purchase or otherwise acquire issued Shares not exceeding in aggregate the Maximum Limit (as hereinafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereinafter defined), whether by way of:
- (i) market purchase(s) on the SGX-ST; and/or
 - (ii) off-market purchase(s) (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall, as required under the Listing Manual, satisfy all the conditions prescribed by section 76C of the Companies Act, Chapter 50 of Singapore,

in accordance with the Bermuda Companies Act and all other laws and regulations and rules of the SGX-ST as may for the time being be applicable (the “**Share Buy-back Mandate**”);

- (b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors pursuant to the Share Buy-back Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:
- (i) the date on which the next Annual General Meeting of the Company is held;
 - (ii) the date on which the next Annual General Meeting of the Company is required by law to be held; and
 - (iii) the date on which purchases and acquisitions of Shares pursuant to the Share Buy-back Mandate are carried out to the full extent mandated;

- (c) in this Resolution:

“**Average Closing Price**” means the average of the closing market prices of the Shares over the last five market days on which the Shares were transacted on the SGX-ST, before the date of the market purchase by the Company, or as the case may be, the date of the making of the offer pursuant to the off-market purchase, and deemed to be adjusted in accordance with the listing rules of the SGX-ST for any corporate action which occurs after the relevant five-day period;

“**date of the making of the offer**” means the date on which the Company makes an offer for the purchase or acquisition of Shares from shareholders, stating therein the purchase price (which shall not be more than the Maximum Price) for each Share and the relevant terms of the equal access scheme for effecting the off-market purchase;

“**Maximum Limit**” means that number of Shares representing 10 per cent. of the total number of issued Shares as at the date of the passing of this Resolution (excluding any treasury shares); and

“**Maximum Price**” in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses), which shall not exceed:

- (i) in the case of a market purchase of a Share, five per cent. above the Average Closing Price; and

NOTICE OF ANNUAL GENERAL MEETING

(ii) in the case of an off-market purchase of a Share, five per cent. above the Average Closing Price; and

(d) the Directors and/each of them be hereby authorised to complete and do all such acts and things (including, but not limited to, executing all such agreements and documents as may be required in connection with this Resolution and the Share Buy-back Mandate) as they or he/she may consider necessary, desirable or expedient or in the interests of the Company to give effect to this Resolution and the Share Buy-back Mandate.

(See Explanatory Note vii)

(Resolution 9)

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

BY ORDER OF THE BOARD

WANG TIANYI
Executive Director and Chairman

8 April 2016
Singapore

Notes:

1. A member of the Company (other than The Central Depository (Pte) Limited) entitled to attend and vote at the Annual General Meeting and who holds two or more Shares shall be entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
2. Where a member appoints two proxies, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy respectively.
3. The instrument appointing a proxy or proxies must be under the hand of the appointer or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.
4. The instrument appointing a proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the Share Registrar's office at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not later than 48 hours before the time set for the Annual General Meeting.

Explanatory Notes:-

- i. Mr. Zhai Haitao will, upon re-election as a Director of the Company, remain as Chairman of the Nominating Committee and a member of the Audit Committee and the Remuneration Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual. The detailed information of Mr. Zhai Haitao can be found at page 17 of the Annual Report.
- ii. Mr. Lim Yu Neng Paul will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee and a member of the Nominating Committee and the Remuneration Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual. The detailed information of Mr. Lim Yu Neng Paul can be found at page 16 of the Annual Report.
- iii. Ms. Cheng Fong Yee will, upon re-election as a Director of the Company, remain as Chairman of the Remuneration Committee and a member of the Audit Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual. The detailed information of Ms. Cheng Fong Yee can be found at page 16 of the Annual Report.

NOTICE OF ANNUAL GENERAL MEETING

- iv. The ordinary resolution 6 proposed in item 6 is to authorise the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue Shares and convertible securities in the Company up to an amount not exceeding in aggregate 50 percent of the total number of issued Shares excluding treasury shares of the Company, of which the total number of Shares and convertible securities issued other than on a pro-rata basis to existing shareholders shall not exceed 20 percent of the total number of issued Shares excluding treasury shares of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.
- v. Pursuant to the Special General Meeting of the Company held on 28 October 2005, the shareholders of the Company approved the passing of the ordinary resolution relating to the Scrip Dividend Scheme. In the circular dated 11 October 2005, the Scrip Dividend Scheme provides members with the option to elect to receive Shares in lieu of the cash amount of any dividend declared on their holding of Shares. The Ordinary Resolution 7 proposed in item 7, if passed, will empower the Directors of the Company to allot and issue Shares pursuant to the terms and conditions of the Scrip Dividend Scheme.
- vi. The ordinary resolution 8 proposed in item 8 above, if passed, will empower the Directors of the Company, to offer and grant options and to allot and issue or transfer Shares upon the exercise of such options in accordance with the Scheme not exceeding 15% of the total number of issued Shares excluding treasury shares of the Company from time to time.
- vii. The Company intends to use internal sources of funds, external borrowings or a combination of internal resources and external borrowings, to finance the purchases or acquisitions of its Shares. The amount of financing required for the Company to purchase or acquire its Shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice as these will depend on, inter alia, the manner in which the purchase or acquisition is funded, the aggregate number of Shares purchased or acquired, and the consideration paid at the relevant time. For illustrative purposes only, the financial effects of an assumed purchase or acquisition by the Company of 10 per cent. of its issued Shares as at 31 March 2016, at a purchase price equivalent to the Maximum Price per Share, based on the audited financial statements of the Company and its subsidiaries for the financial year ended 31 December 2015 and certain assumptions, are set out in paragraph 2.7 of the Company's Letter to Shareholders dated 8 April 2016.

Personal data privacy:

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

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