

CHINA EVERBRIGHT WATER LIMITED

Company Registration No.: 34074

(Incorporated in Bermuda)

PROPOSED ACQUISITION OF DALIAN DONGDA WATER CO., LTD.

1. INTRODUCTION

The board of directors of China Everbright Water Limited (“**CEWL**” or the “**Company**”) wishes to announce that the Company and Beijing Everbright Water Investment Management Co., Ltd. (“**BEWI**”), which is a wholly-owned subsidiary of the Company, had on 28 August 2015 entered into an equity transfer agreement (the “**Agreement**”) with Dongda Group Co., Ltd. (“**Dongda Group**”) and Liu Yubao (together with Dongda Group, the “**Sellers**”) pursuant to which BEWI is acquiring the entire equity interest (the “**Equity Interests**”) in Dalian Dongda Water Co., Ltd. (the “**Target**”, and together with its subsidiaries, the “**Target Group**”) from the Sellers (the “**Proposed Acquisition**”).

2. INFORMATION ON TARGET

The Target is principally engaged in municipal waste water treatment, the provision of water improvement services, the construction and operation of urban public utilities and infrastructure (including sewage treatment plants) in Liaoning Province and Inner Mongolia Autonomous Region, the People’s Republic of China (“**PRC**”). The Target has 17 municipal waste water treatment projects and provides water environment improvement services for various cities in Liaoning Province and Inner Mongolia Autonomous Region of the PRC. The contractual operating scale of the 17 urban waste water treatment plants invested, constructed and operated by the Target is 1.125 million tons per day.

3. RATIONALE FOR THE PROPOSED ACQUISITION

The Proposed Acquisition is a further expansion of the environmental water business of the Company and its subsidiaries (collectively, the “**Group**”) and widens the geographical footprint of the Group in the PRC to cover Liaoning Province and Inner Mongolia Autonomous Region. Upon completion of the Proposed Acquisition, the Company’s contractual daily waste water treatment capacity will exceed 4.6 million tons per day. This is in line with the Company’s strategy to become one of the leading water companies in the PRC.

4. THE PROPOSED ACQUISITION

- 4.1 Conditions Precedent.** The transfer of the First Initial Interest (as defined below) and the grant of the Initial Loan (as defined below) are subject to certain conditions having been fulfilled or waived (the “**Relevant Conditions**”). Such Relevant Conditions include, *inter alia*:

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

- 4.1.1 the representations and warranties made by each of BEWI, the Company and the Sellers being true and accurate in all material respects as at the date of the Agreement and the date of transfer of the First Initial Interest by Liu Yubao to BEWI;
- 4.1.2 there being no order, investigation, litigation or judgment by any court, governmental or regulatory body against the Company and the Sellers which may restrict or prohibit the Proposed Acquisition;
- 4.1.3 if requested for by BEWI, an equity pledge agreement to be entered into between Liu Yubao and BEWI in relation to a pledge by Liu Yubao in favour of BEWI in respect of the First Initial Interest (as defined below), having been duly executed and delivered by Liu Yubao to BEWI; and
- 4.1.4 certain other documents relating to the grant of the Initial Loan (as defined below) and the transfer of the First Initial Interest having been delivered (i) by the Sellers to BEWI and the Company or (ii) by BEWI to the Sellers and the Target, as the case may be.

4.2 Equity Interests. BEWI will acquire the Equity Interests in three tranches, as follows:

- 4.2.1 subject to the satisfaction or waiver of the Relevant Conditions and other terms of the Agreement, 34 per cent. of the Equity Interests (the **"First Initial Interest"**) from Liu Yubao within 30 days from the date of execution of the Agreement; and
- 4.2.2 56 per cent. of the Equity Interests from Liu Yubao within 60 days from the date of execution of the Agreement (the **"Second Initial Interest"**, together with the First Initial Interest, the **"Initial Interest"**); and
- 4.2.3 subject to and upon the date of registration of BEWI as the holder of the Initial Interest with the relevant PRC regulatory authorities (being the first completion date as reflected in the Agreement) (**"Initial Registration Date"**), 10 per cent. of the Equity Interests (the **"Remainder Interest"**) from Dongda Group, which shall be transferred in up to three phases over a three-year period (the **"Three-Year Period"**).

Pursuant to the Agreement, upon the completion of the sale of the Initial Interest to BEWI on the Initial Registration Date, BEWI will be entitled to receive all dividends, distributions and payments declared, paid or made with effect from the Initial Registration Date in respect of the Remainder Interest, even though the entire Remainder Interest will be transferred by Dongda Group to BEWI in three phases over the Three-Year Period. As such, from the Initial Registration Date, BEWI will be entitled to enjoy all the economic rights accruing to a shareholder of the entire Equity Interest (not including the Unpaid Receivables (as defined below)).

4.3 Consideration. The aggregate consideration payable by BEWI to Liu Yubao for the Initial Interest is RMB799,989,000 (equivalent to approximately HK\$970,386,000 ¹ and S\$177,071,000 ²) (**"Consideration"**), which comprises the following:

¹ For the purposes of this Announcement, an exchange rate of HK\$1.00 : RMB0.8244 has been used for currency translation between HK\$ and RMB unless specified otherwise.

² For the purposes of this Announcement, an exchange rate of S\$1.00 : RMB4.5179 has been used for currency translation between S\$ and RMB unless specified otherwise.

4.3.1 a consideration of RMB302,218,000 (equivalent to approximately and HK\$366,590,000 and S\$66,893,000) in respect of the First Initial Interest; and

4.3.2 a consideration of RMB497,771,000 (equivalent to approximately HK\$603,796,000 and S\$110,178,000) in respect of the Second Initial Interest.

The Consideration was arrived at on a “willing-buyer-willing-seller” basis, taking into consideration, *inter alia*, (i) the market position of the Target, (ii) the quality of the assets and business condition of the Target, (iii) the financial position of the Target, (iv) the future benefits and synergies expected to be created as a result of the Proposed Acquisition, (v) the prevailing industry and market conditions in PRC and (vi) the value of the Equity Interests as at 31 December 2014 based on the independent appraisal by Shenzhen Pengxin Assets, Land and Real Estate Appraisal Co., Ltd. (深圳市鹏信资产评估土地房地产估价有限公司) (the “**Independent Valuer**”). Please refer to paragraph 5.1 below for further information on the independent valuation conducted by the Independent Valuer.

4.4 **Contingent Payment.** A contingent payment of up to RMB203,150,000 (equivalent to approximately HK\$246,421,000 and S\$44,966,000) may be payable in connection with the Remainder Interest (“**Contingent Payment**”). The Contingent Payment (if any) to Dongda Group in connection with the Remainder Interest will be an amount equivalent to the amount of outstanding receivables owing to the Target and certain of its subsidiaries under certain concession agreements as at 31 December 2014 (the “**Unpaid Receivables**”) which the Target and certain of its subsidiaries are able to recover from the relevant PRC governmental authorities during the Three-Year Period.

As the amount of Unpaid Receivables outstanding as at 31 December 2014 is RMB203,150,000, the maximum possible Contingent Payment which may be made by BEWI to Dongda Group in connection with the Remainder Interest is RMB203,150,000. The Contingent Payment will only be made by BEWI to Dongda Group upon the receipt of the relevant amount of Unpaid Receivables and the actual amount payable may be less than RMB203,150,000, depending on the amount of Unpaid Receivables recovered, if any.

For the avoidance of doubt, the entire Remainder Interest will be transferred by Dongda Group to BEWI by the end of the Three-Year Period (such date of transfer being the final completion date as reflected in the Agreement), irrespective of whether and how much the Target and certain of its subsidiaries recover from the total amount of Unpaid Receivables.

4.5 **Funding for the Proposed Acquisition.** The Company will use its own internal resources or external borrowings or a combination of both to finance the Proposed Acquisition.

4.6 **Loan from BEWI.** Subject to the satisfaction or waiver of the Relevant Conditions, BEWI will provide loans amounting in aggregate to RMB1,043,989,000 (equivalent to approximately HK\$1,266,359,000 and S\$231,078,000) to the Target (the “**Loan**”) in the following two phases:

(i) the amount of RMB700,000,000 (equivalent to approximately HK\$849,100,000 and S\$154,939,000), which includes the Deposit (as defined below), within 30 days of the date of execution of the Agreement (the “**Initial Loan**”); and

(ii) the amount of RMB343,989,000 (equivalent to approximately HK\$417,259,000 and S\$76,139,000), subject to any adjustments required to be made based on the

outcome of the completion audit (as prescribed in the Agreement), within 60 days from the date of execution of the Agreement.

The Loan is being extended to the Target in order for the Target to retire all outstanding debts (including any declared dividends and trade payables) due and owing to Dongda Group and its related parties (other than members of the Target Group). The amounts under the Loan will become a debt due and owing by the Target to BEWI and payable at a future date following completion of the Proposed Acquisition.

4.7 Deposit. In connection with the Initial Loan, BEWI has paid a deposit of RMB50,000,000 (equivalent to approximately HK\$60,650,000 and S\$11,067,000), to the Target (“**Deposit**”). Upon the provision of the Initial Loan to the Target, the Deposit will be treated as part of the Initial Loan granted by BEWI to the Target. If the Initial Loan is not granted by BEWI to the Target and the Agreement is terminated by the Sellers in accordance with its terms, the Deposit will be forfeited and transferred by the Target to the Sellers.

4.8 Guarantee. Pursuant to the Agreement, the Company will be providing a guarantee in favour of Liu Yubao and the Target respectively in respect of the payment by BEWI of the Consideration and the Loan. Upon payment by BEWI of the Consideration and the Loan in full, the Company will be automatically released and discharged from such guarantee.

5. FINANCIAL INFORMATION

5.1 Value of Equity Interests. BEWI appointed the Independent Valuer to appraise the value of the Equity Interests as at 31 December 2014. Pursuant to a report dated 20 July 2015 issued by the Independent Valuer and prepared on the basis of the market approach methodology (the “**Valuation Report**”), the value of the Equity Interests as at 31 December 2014 is RMB897,000,000 (equivalent to approximately HK\$1,088,061,000 and S\$198,544,000).

Based on the unaudited pro forma consolidated financial statements of the Target and its subsidiaries (the “**Target Group**”) for the financial year ended 31 December 2013 (“**Target Group FY2013**”) and 31 December 2014 (“**Target Group FY2014**”), which were prepared (i) based on the audited consolidated financial statements of the Target Group for the financial years ended 31 December 2013 and 31 December 2014 respectively, (ii) taking into account the 2015 Acquisition (as defined below) and (iii) in accordance with PRC Generally Accepted Accounting Principles (“**PRC GAAP**”), the approximate book value of the Equity Interests and approximate net tangible value attributable to the Equity Interests were:

(i) **Target Group FY2013**

	Audited consolidated financial statements for the Target Group FY2013			Audited financial statements of Panjin Company for the financial year ended 31 December 2013 (“Panjin Company FY2013”) ⁽¹⁾			Unaudited pro forma consolidated financial statements for the Target Group FY2013		
	RMB ('000)	HK\$ ('000)	S\$ ('000)	RMB ('000)	HK\$ ('000)	S\$ ('000)	RMB ('000)	HK\$ ('000)	S\$ ('000)
Book value	236,319	286,655	52,307	95,154	115,422	21,062	331,473	402,077	73,369

of the Equity Interests									
Net tangible value attributable to the Equity Interests	236,319	286,655	52,307	95,154	115,422	21,062	331,473	402,077	73,369

Note:

(1) To account for the completion of the acquisition by the Target of Panjin Municipal Waste Water Treatment Co., Ltd. (“Panjin Company”) on 9 February 2015 (the “2015 Acquisition”).

(ii) **Target Group FY2014**

	Audited consolidated financial statements for the Target Group FY2014			Audited financial statements of Panjin Company for the financial year ended 31 December 2014 (“Panjin Company FY2014”) ⁽¹⁾			Unaudited pro forma consolidated financial statements for the Target Group FY2014		
	RMB ('000)	HK\$ ('000)	S\$ ('000)	RMB ('000)	HK\$ ('000)	S\$ ('000)	RMB ('000)	HK\$ ('000)	S\$ ('000)
Book value of the Equity Interests	127,219	154,317	28,159	109,354	132,646	24,205	236,573	286,963	52,364
Net tangible value attributable to the Equity Interests	127,219	154,317	28,159	109,354	132,646	24,205	236,573	286,963	52,364

Note:

(1) To account for the 2015 Acquisition.

5.2 Net Profits³. Based on the unaudited pro forma consolidated financial statements of the Target Group for the Target Group FY2013 and Target Group FY2014, which were prepared (i) based on the audited consolidated financial statements of the Target Group for the financial years ended 31 December 2013 and 31 December 2014 respectively, (ii) taking into account the 2015 Acquisition and (iii) in accordance with PRC GAAP, the approximate net profits attributable to the Equity Interests were:

(i) **Target Group FY2013**

	Audited consolidated financial statements for the Target Group FY2013	Audited financial statements for the Panjin Company FY2013 ⁽¹⁾	Unaudited pro forma consolidated financial statements for the Target
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³ Under Rule 1002(3)(b) of the Listing Manual, “net profits” is defined as profit or loss before income tax, minority interest and extraordinary items.

							Group FY2013		
	RMB ('000)	HK\$ ('000)	S\$ ('000)	RMB ('000)	HK\$ ('000)	S\$ ('000)	RMB ('000)	HK\$ ('000)	S\$ ('000)
Net Profits	33,128	40,184	7,333	7,893	9,574	1,747	41,021	49,758	9,080

Note:

⁽¹⁾ To account for the 2015 Acquisition.

(ii) Target Group FY2014

	Audited consolidated financial statements for the Target Group FY2014			Audited financial statements for the Panjin Company FY2014 ⁽¹⁾			Unaudited pro forma consolidated financial statements for the Target Group FY2014		
	RMB ('000)	HK\$ ('000)	S\$ ('000)	RMB ('000)	HK\$ ('000)	S\$ ('000)	RMB ('000)	HK\$ ('000)	S\$ ('000)
Net Profits	31,247	37,903	6,916	18,909	22,936	4,185	50,156	60,839	11,101

Note:

⁽¹⁾ To account for the 2015 Acquisition.

5.3 Other Financial Information. Based on the unaudited pro forma consolidated financial statements of the Target Group for the Target Group FY2013 and Target Group FY2014, which were prepared (i) based on the audited consolidated financial statements of the Target Group for the financial years ended 31 December 2013 and 31 December 2014 respectively, (ii) taking into account the 2015 Acquisition and (iii) in accordance with PRC GAAP, the approximate revenue and net profits after taxation and extraordinary items attributable to the Equity Interests were:

(i) Target Group FY2013

	Audited consolidated financial statements for the Target Group FY2013			Audited financial statements for the Panjin Company FY2013 ⁽¹⁾			Unaudited pro forma consolidated financial statements for the Target Group FY2013		
	RMB ('000)	HK\$ ('000)	S\$ ('000)	RMB ('000)	HK\$ ('000)	S\$ ('000)	RMB ('000)	HK\$ ('000)	S\$ ('000)
Revenue	156,499	189,833	34,640	25,448	30,869	5,633	181,947	220,702	40,273
Net profit after taxation and extraordinary items	27,636	33,522	6,117	5,729	6,950	1,268	33,365	40,472	7,385

Note:

(1) To account for the 2015 Acquisition.

(ii) **Target Group FY2014**

	Audited consolidated financial statements for the Target Group FY2014			Audited financial statements for the Panjin Company FY2014 ⁽¹⁾			Unaudited pro forma consolidated financial statements for the Target Group FY2014		
	RMB ('000)	HK\$ ('000)	S\$ ('000)	RMB ('000)	HK\$ ('000)	S\$ ('000)	RMB ('000)	HK\$ ('000)	S\$ ('000)
Revenue	193,511	234,729	42,832	40,006	48,527	8,855	233,517	283,256	51,687
Net profit after taxation and extraordinary items	24,900	30,204	5,511	14,200	17,224	3,143	39,100	47,428	8,654

Note:

(1) To account for the 2015 Acquisition.

6. FINANCIAL EFFECTS

6.1 Bases and Assumptions. The financial effects have been prepared based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2014 (“**FY2014**”), which were prepared in accordance with the International Financial Reporting Standards (“**IFRS**”), and the unaudited pro forma consolidated financial statements of the Target Group for the Target Group FY2014, which were prepared (i) based on the audited consolidated financial statements of the Target Group for the financial year ended 31 December 2014, (ii) taking into account the 2015 Acquisition (as defined below) and (iii) in accordance with PRC GAAP.

The financial effects are purely **for illustrative purposes only and do not reflect a projection of the actual future financial performance or financial position of the enlarged Group had the Proposed Acquisition been consummated.** In particular, the Company has not made any adjustments to take into account that the audited consolidated financial statements of the Target Group are prepared on a basis different from the audited consolidated financial statements of the Group. If the unaudited pro forma consolidated financial statements of the Target Group for the Target Group FY2014 had been prepared in accordance with IFRS, the financial effects of the Proposed Acquisition could differ from the figures reflected below.

In addition, the financial effects set out below have also been prepared based on, *inter alia*, the following assumptions:

6.1.1 BEWI acquires all the Equity Interests at the same time; and

6.1.2 all of the Equity Interests are acquired at RMB1,003,139,000 (equivalent to approximately HK\$1,216,807,000 and S\$222,037,000), comprising the Consideration being paid for the Initial Interest and the Contingent Payment being paid for the Remainder Interest (assuming the Unpaid Receivables are recovered by the Target in full, as described in paragraph 4.4).

6.2 **Net Tangible Assets⁴ (“NTA”)**. Assuming the Proposed Acquisition had been completed on 31 December 2014, being the end of FY2014 (which is the most recently completed financial year of the Group, the financial statements of which have been released on SGXNET), the financial effects on the consolidated NTA of the Group as at 31 December 2014 are as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA (HK\$ million)	5,448	5,735
No. of issued CEWL shares (million)	2,487	2,487
NTA per CEWL share (HK\$)	2.19	2.31

6.3 **Earnings Per Share (“EPS”)**. Assuming the Proposed Acquisition had been completed on 1 January 2014, being the beginning of FY2014, the financial effects on the EPS of the Group for FY2014 are as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Net profit attributable to shareholders of the Company (HK\$ million)	293	340 ⁽¹⁾
Weighted average no. of issued CEWL shares (million)	1,969	1,969
EPS (HK\$)	0.15	0.17

Note:

⁽¹⁾ For the purposes of illustration, interest expenses in relation to the Loan have not been factored.

6.4 **Share Capital.** The Proposed Acquisition will not have any impact on the issued and paid-up share capital of the Company.

⁴ For the purposes of this paragraph, “net tangible assets” is calculated as the total assets, minus goodwill and intangible assets in relation to patents and trademarks, computer software and backlog contracts, less total liabilities.

7. MAJOR TRANSACTION

The relative figures in relation to the Proposed Acquisition computed on the bases set out in Rule 1006 of the listing manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) (the “**Listing Manual**”) are as follows:

Rule 1006	Bases	Proposed Acquisition (%)
(a)	The net asset value of the assets to be disposed of, compared with the Group’s net asset value	Not applicable
(b)	The net profits attributable to the Equity Interests acquired, compared with the Group’s net profits ⁽ⁱ⁾	14.44
(c)	The aggregate consideration ⁽ⁱⁱ⁾ compared with CEWL’s market capitalisation ⁽ⁱⁱⁱ⁾	23.46
(d)	The number of equity securities issued by CEWL as consideration for the Proposed Acquisition, compared with the number of equity securities of CEWL previously in issue	Not applicable ^(iv)

Notes:

⁽ⁱ⁾ Under Rule 1002(3)(b) of the Listing Manual, “net profits” is defined as profit or loss before income tax, minority interest and extraordinary items.

The unaudited pro forma consolidated profit before taxation of the Target Group for the Target Group FY2014 was approximately RMB50,156,000, and the audited consolidated profit before taxation of the Group for FY2014 was approximately RMB347,364,000 (based on an exchange rate of RMB1 : HK\$1.2460, being the rate of exchange used for the purposes of the audited consolidated financial statements of the Group for FY2014).

⁽ⁱⁱ⁾ Under Paragraphs 7.1 and 7.2 of Practice Note 10.1 of the Listing Manual, for the purposes of determining the relative figure of Rule 1006(c), the aggregate value of consideration given or received should include further amounts related to the transaction and loans or guarantees extended by a purchaser may be deemed to be part of the “consideration”. Accordingly, the “aggregate consideration” for the purposes of computing the relative figure of Rule 1006(c) is RMB2.047 billion, which includes both (i) the Consideration and the Contingent Payment (assuming the Unpaid Receivables are recovered by the Target in full, as described in paragraph 4.4) and (ii) the Loan.

⁽ⁱⁱⁱ⁾ The market capitalisation of the Company of S\$1.931 billion (equivalent to approximately HK\$10.585 billion and RMB8.726 billion) is determined by multiplying 2,608,014,262 issued shares of CEWL as at the date of this Announcement by the weighted average price of approximately S\$0.7406 per share as at 27 August 2015 (being the last trading day prior to the date of the Agreement).

^(iv) Rule 1006(d) of the Listing Manual is not applicable, as no equity securities will be issued by CEWL as consideration pursuant to the Proposed Acquisition.

As the relative figure computed on the bases set out in Rule 1006(c) exceeds 20 per cent., the Proposed Acquisition would constitute a major transaction as defined in Chapter 10 of the Listing Manual and is therefore subject to the approval of the shareholders of the Company (“**Shareholders**”) at an extraordinary general meeting (“**EGM**”) to be convened, unless waived or exempted by the SGX-ST.

8. WAIVER APPLICATION

8.1 Waiver of Rule 1014(2). The Company made an application to the SGX-ST to seek a waiver of Rule 1014(2) of the Listing Manual (the “**Waiver**”) which requires the prior approval of Shareholders in relation to the Proposed Acquisition.

8.2 Reasons for the Waiver Application. The Company submitted to the SGX-ST that the Proposed Acquisition should be regarded as being in the ordinary course of the Company’s business. The grounds for the application for the Waiver were as follows:

8.2.1 Expansion of core business of the Company

The Group is principally engaged in the environmental water business, which includes waste water treatment, reusable water, waste water heat pump, sludge treatment, research and development of environmental water technologies, engineering and construction and etc. The Group’s geographical footprint spans across North and Central China, including Beijing, Jiangsu, Shandong, Shaanxi and Henan and as of 31 December 2014, the Group has invested in and is operating 32 waste water treatment projects with a designed daily waste water treatment capacity of approximately 3.4 million m³.

The environmental water sector is the primary focus of the Group and is clearly its core business which the Group will continue to focus on for future investments and growth.

The Proposed Acquisition is a clear expansion of the Company’s existing core business.

8.2.2 No change in risk profile of the Company

The Company is of the view that the Proposed Acquisition will not result in a change to the risk profile of the Company, based on the following factors:

- (i) the scale of CEWL’s existing operations will not increase significantly as a consequence of the Proposed Acquisition. The relative figures for the Proposed Acquisition computed on the bases set out in Rule 1006 of the Listing Manual (as set out in paragraph 7 above) are significantly below 100 per cent.;
- (ii) the Proposed Acquisition will not result in a change of control of CEWL, as no equity securities of the Company will be issued to the Sellers or any other persons for the purposes of the Proposed Acquisition;
- (iii) the Proposed Acquisition is expected to be earnings, cash flow and returns accretive. The Proposed Acquisition will not have a significant adverse impact on the Company’s gearing. The Company will use its own internal resources or external borrowings or a combination of both to finance the Proposed Acquisition. It is not intended to seek funding from its shareholders or third parties through equity or debt offerings;

- (iv) the Proposed Acquisition will not result in an expansion of CEWL's business to a new geographical market and/or a new business sector. The business activities being undertaken by the Target are in the environmental water sector and are based solely in the PRC, which are the same industry sector and country in which CEWL is already an established participant; and
- (v) the Proposed Acquisition has been foreshadowed in that CEWL has communicated to Shareholders on several occasions that it intends to grow its environmental water business and become one of the largest water treatment companies in the PRC. For example:
 - (a) in the circular dated 12 November 2014 issued to Shareholders in respect of the reverse take-over (the "RTO") of HanKore Environment Tech Group Limited ("HanKore") (the "Circular"), it was stated that the RTO represents a major step towards achieving the shared vision of CEWL (then known as HanKore) and the target company then being acquired by CEWL to become one of the largest water treatment companies in the PRC. The Circular made clear that with a stronger combined track record, enhanced financial strength and better access to debt/equity capital, CEWL would be in a better position to participate in the consolidation of small to medium size water treatment companies in the PRC, so as to take on larger projects and attract more strategic partners in new deals and/or joint ventures; and
 - (b) in its 2014 annual report and the latest unaudited financial statements released for the half year ended 30 June 2015, CEWL referred to the passing of new environmental protection laws in the PRC and that such laws will provide new market opportunities and momentum for the development of the water industry. It was disclosed that the Group would fully utilize its excellent market resources to expand its market share in order to achieve its goal to be one of the leading water companies in the PRC within the next three to five years.

In view of the foregoing, Shareholders are aware that CEWL intends to continue expanding its core business in line with its publicly disclosed strategy to become one of the leading water companies in the PRC within the next three to five years, and such expansion would necessarily encompass strategic investments and acquisitions such as the Proposed Acquisition.

8.3 SGX-ST Waiver. On 21 August 2015, the SGX-ST advised that it has no objection to the Company's application for the Waiver, subject to the following:

- 8.3.1** the Company announcing the Waiver granted, the reasons for seeking the Waiver and the conditions as required under Rule 107 of the Listing Manual; and
- 8.3.2** submission of a written confirmation from the Company that the Waiver does not contravene any laws and regulations governing the Company and the articles of association of the Company ("**Written Confirmation**").

Pursuant to the above, the Company wishes to announce that the Company has submitted the Written Confirmation to the SGX-ST.

As the SGX-ST has granted the Waiver, the Company will not be convening an EGM to seek the approval of Shareholders for the Proposed Acquisition.

9. FURTHER INFORMATION

9.1 Interest of Directors and Controlling Shareholders. None of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisition.

9.2 Directors' Service Contracts. No person is proposed to be appointed as a Director in connection with the Proposed Acquisition. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

9.3 Documents for Inspection. Copies of the following documents are available for inspection during normal business hours at the registered office of the Company at 9 Battery Road, #20-02, Straits Trading Building, Singapore 049910, for a period of three months commencing from the date of this Announcement:

- (a) the Agreement; and
- (b) the Valuation Report.

By Order of the Board
CHINA EVERBRIGHT WATER LIMITED

Wang Tianyi
Executive Director and Chairman

29 August 2015