

CHINA EVERBRIGHT WATER LIMITED

Company Registration No.: 34074

(Incorporated in Bermuda)

ALLOTMENT AND ISSUANCE OF 120,690,957 NEW ORDINARY SHARES IN THE CAPITAL OF CHINA EVERBRIGHT WATER LIMITED AT AN ISSUE PRICE OF S\$0.94 PER SHARE

1. INTRODUCTION

- 1.1 The board of directors (“**Board**”) of China Everbright Water Limited (the “**Company**”) is pleased to announce that the Company has on 19 January 2015 entered into subscription agreements (each, a “**Subscription Agreement**”) with each of International Finance Corporation (“**IFC**”) and Dalvey Asset Holding Ltd (“**DAH**”, together with IFC, the “**Investors**”), which is a wholly-owned subsidiary of RRJ Capital Master Fund II, L.P. which was established by RRJ Capital (“**RRJ**”).
- 1.2 Pursuant to the Subscription Agreements, the Company has agreed to allot and issue, and the Investors have agreed to subscribe for, an aggregate of 120,690,957 new ordinary shares in the capital of the Company (“**Subscription Shares**”), at an issue price of S\$0.94 per Subscription Share (“**Issue Price**”), representing gross proceeds of approximately S\$113,449,500 (equivalent to approximately US\$85,000,000¹) (collectively, the “**Subscriptions**” and each, the “**Subscription**”).
- 1.3 The Subscription Shares represent approximately 4.85 per cent. of the existing issued and paid-up share capital of the Company (excluding treasury shares) as at the date of this Announcement, and approximately 4.63 per cent. of the enlarged issued and paid-up share capital of the Company (excluding treasury shares) immediately after completion of the Subscriptions.
- 1.4 Each Subscription is not inter-conditional on the other Subscription, and completion under one Subscription Agreement is not conditional upon completion under the other Subscription Agreement.

2. INFORMATION ON THE INVESTORS

2.1 Information on IFC

International Finance Corporation, a member of the World Bank Group, is the largest global development institution focused exclusively on the private sector in developing countries. Established in 1956, IFC is owned by 184 member countries, a group that collectively determines their policies. IFC’s work in more than a 100 developing countries allows companies and financial institutions in emerging markets to create jobs, generate tax revenues, improve corporate governance and environmental performance, and contribute to their local communities.

¹ Unless expressly stated to the contrary, any reference to the United State dollar equivalent of a Singapore dollar amount is based on an exchange rate of US\$1.00 to S\$1.3347, being the exchange rate extracted from Bloomberg L.P. as at 11.00 a.m. (Singapore time) on 15 January 2015.

IFC has agreed to subscribe for an aggregate of 49,696,276 Subscription Shares (the “**IFC Subscription Shares**”) at an aggregate Issue Price of approximately S\$46,714,500 (equivalent to approximately US\$35,000,000), representing approximately 1.91 per cent. of the enlarged issued and paid-up share capital of the Company (excluding treasury shares but including the RRJ Subscription Shares (as defined below)) immediately after completion of its Subscription (the “**IFC Subscription**”).

2.2 Information on DAH and RRJ

DAH is a company incorporated in the British Virgin Islands and is wholly-owned by RRJ Capital Master Fund II, L.P.

RRJ is an Asian-based investment firm which focuses on private equity investments in China and South-East Asia.

DAH has agreed to subscribe for an aggregate of 70,994,681 Subscription Shares (the “**RRJ Subscription Shares**”) at an aggregate Issue Price of approximately S\$66,735,000 (equivalent to approximately US\$50,000,000), representing approximately 2.72 per cent. of the enlarged issued and paid-up share capital of the Company (excluding treasury shares but including the IFC Subscription Shares) immediately after completion of its Subscription (the “**RRJ Subscription**”).

2.3 The Investors are separate placees and are not related to one another. As at the date of this Announcement, the Company understands that the Investors do not hold any shares in the capital of the Company (“**Shares**”).

2.4 The Company is familiar with IFC and RRJ, as IFC has previously extended a loan to a subsidiary of China Everbright International Limited (“**CEIL**”), which is the majority shareholder of the Company, and RRJ is a minority shareholder of CEIL. The Company is of the view that it would be in the interest of the Company to have the Investors as shareholders of the Company (“**Shareholders**”) as they are supportive of the Company’s business model and plans.

3. **RATIONALE AND USE OF PROCEEDS**

3.1 The Subscriptions will allow the Company to raise gross proceeds of approximately S\$113,449,500 (equivalent to approximately US\$85,000,000), which will be used as working capital to fund the growth and expansion of the Company’s business.

3.2 Pending deployment of the aggregate net proceeds of the Subscriptions for the use identified above, the net proceeds may be deposited with banks or financial institutions and/or used for investment in short-term money market and/or debt instruments or for any other purposes on a short-term basis, as the Board may deem fit.

3.3 The Company will make periodic announcements on the utilisation of proceeds from the Subscriptions as and when the funds from the Subscriptions are materially disbursed and whether such utilisation is in accordance with the stated use and in accordance with the percentage allocated in this Announcement and will also provide a status report of the aforementioned information in the Company’s annual report.

4. PRINCIPAL TERMS OF THE SUBSCRIPTIONS

4.1 Ranking and Additional Listing Application

The Subscription Shares, when allotted and issued, shall rank *pari passu* in all respects with and carrying all rights similar to the existing Shares as at the date of the Subscription Agreements.

The Company will be making an application to the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for the listing and quotation of the Subscription Shares on the Main Board of the SGX-ST, and will make the necessary announcements once the in-principle approval for the listing and quotation of the Subscription Shares has been obtained from the SGX-ST.

4.2 Issue Price

The Issue Price was agreed after arm’s length negotiations between the Company and the Investors with reference to the prevailing market price of the Shares, and represents a discount of approximately 9.35 per cent. to the weighted average price of S\$1.0369 per Share for trades done on the SGX-ST on 14 January 2015 and 15 January 2015 (being the preceding full market day up to the time a trading halt was called, prior to the signing of the Subscription Agreements).

4.3 Condition Precedent

- (i) Completion under the Subscription Agreement in respect of IFC (the “**IFC Subscription Agreement**”) is conditional upon the following (the “**IFC Conditions Precedent**”):
 - (a) the representations and warranties made by the Company as set out in the IFC Subscription Agreement and in any schedule, exhibit or certificate delivered by the Company pursuant to the IFC Subscription Agreement, remain true, accurate and not misleading immediately prior to the IFC Subscription, save as modified or supplemented pursuant to sub-paragraph (b) below;
 - (b) if it is necessary for the Company to modify or supplement the representations and warranties made by the Company in the IFC Subscription Agreement, it shall deliver an updated Company disclosure schedule to IFC not less than 10 business days (or such shorter time period as IFC may agree) prior to the proposed date of completion of the IFC Subscription (the “**IFC Completion Date**”) and the substance of any modification or supplementation of any of the representations and warranties referred to in sub-paragraph (a) above made in such updated Company disclosure schedule is acceptable to IFC in its sole discretion;
 - (c) all of the agreements and covenants of the Company to be performed prior to completion pursuant to each of the IFC Subscription Agreement and the Policy Agreement (as defined below) (the “**IFC Transaction Documents**”) have been duly performed in all material respects, and no breach (or any event which, with notice, lapse of time, the making of a determination or any

combination, would become a breach) under any IFC Transaction Document has occurred and is continuing;

- (d) approval in-principle of the SGX-ST for the listing and quotation of the IFC Subscription Shares on the Main Board of the SGX-ST has been obtained on terms reasonably acceptable to the Company and IFC and such approval remains in full force and effect on the IFC Completion Date and, if such approval is subject to any conditions which are required to be fulfilled on or prior to the IFC Completion Date, such conditions are so fulfilled or waived by the SGX-ST, as the case may be;
- (e) nothing has occurred which has or will reasonably be expected to have since the date of the IFC Subscription Agreement, a material adverse effect on (1) the assets and properties of the Company and its subsidiaries (the “**Group**”), (2) the business prospects or financial condition of the Group, (3) the carrying on of the business and operations of the Group or (4) the ability of the Company to comply with its obligations under the Subscription Agreements and/or the Company’s Charter (a “**Material Adverse Effect**”);
- (f) the Company (1) has confirmed in writing to IFC that it is in agreement with the social and environmental assessment prepared by the Company in accordance with IFC’s Performance Standards on Social & Environmental Sustainability, dated 1 January 2012 (the “**Performance Standards**”), (2) remains in compliance with the Company’s social and environmental management system, as implemented or in effect from time to time, enabling it to identify, assess and manage the social and environmental risks in respect of the existing and future operations, activities and facilities of the Group (including the design, construction, operations, maintenance, management and monitoring thereof as applicable) in the People’s Republic of China or any other jurisdiction in which the Company or any of its subsidiaries has operations (the “**Company Operations**”) on an ongoing basis (the “**S&E Management System**”) and the S&E Management System has not been amended, waived or otherwise restricted in scope or effect since 22 December 2014, except in accordance with the plan or plans developed by the Company, setting out the specific social and environmental measures to be undertaken by the Company, to enable the Company’s Operations to be constructed, equipped and operated in compliance with the Performance Standards (the “**Action Plan**”) and (3) the Company has complied all matters set forth in the Action Plan required to be completed prior to the IFC Subscription, as set forth in the Action Plan;
- (g) IFC has received a legal opinion or opinions, in form and substance satisfactory to IFC, from its counsel(s), covering such matters relating to the transactions contemplated by the IFC Subscription Agreement, the other IFC Transaction Document, the allotment and issue of 1,940,269,305 Shares by the Company to China Everbright Water Holdings Limited, as described in the circular to shareholders dated 12 November 2014 and approved by the shareholders of the Company on 5 December 2014 (the “**RTO Allotment and Issue**”), the Shareholder Approval (as defined below) or the Company’s Charter as IFC may request;

- (h) the approval or confirmation of the Shareholders, as the case may be, to increase the authorized share capital of the Company to no less than 2,607,952,232 Shares, being the aggregate of (1) the number of Subscription Shares and (2) the total number of issued Shares as at the date of the Subscription Agreement, including but not limited to the number of Shares issued pursuant to the RTO Allotment and Issue, at a special general meeting to be convened for the foregoing purpose (the “**Shareholder Approval**”) and the resolutions of the board of directors of the Company (which, for the avoidance of doubt, may consist of several resolutions passed on separate dates) (i) approving and authorizing the Company’s entry into the IFC Subscription Agreement and the allotment and issue of the IFC Subscription Shares to IFC on the basis that the IFC Subscription Shares shall (A) be fully-paid and non-assessable, and (B) rank *pari passu* in all respects with and carry all rights similar to the Shares existing as at the date of the IFC Subscription Agreement, (ii) authorizing and designating the persons authorized to execute, for and on behalf of the Company, each IFC Transaction Document and any other document, certificate or notice to be issued by the Company in connection with each IFC Transaction Document and (iii) convening the special general meeting to seek the Shareholder Approval, have been obtained each of these authorizations remains in full force and effect on the IFC Completion Date;
- (i) no injunction or other order issued by any competent authority or other legal restraint or prohibition or any litigation, arbitration, administrative, regulatory or governmental proceeding or investigation preventing the IFC Subscription or affecting or relating to RTO Allotment and Issue or the Shareholder Approval being in effect on the Subscription Date;
- (j) IFC has received a list setting out insurance policies evidencing compliance with the requirements stipulated in the IFC Subscription Agreement;
- (k) immediately prior to the closing, neither the Company nor any of its subsidiaries is involved in any litigation, arbitration, administrative, regulatory or governmental proceeding or investigation which has or will have a Material Adverse Effect, and to the Company’s knowledge, there are no facts or circumstances which indicate that any of such proceedings or investigations is threatened;
- (l) immediately prior to closing, there are no material social or environmental risks or issues in respect of the Company Operations, which has or will have a Material Adverse Effect, and neither the Company nor any of its subsidiaries has received (1) any existing complaint, order, directive, claim, citation or notice from any authority or (2) any written communication from any person, in either case, concerning the failure of the Company Operations to comply with any matter covered by any applicable statutes, laws, ordinances, rules and regulations of the People’s Republic of China, Singapore, the Bermuda Islands and any other applicable jurisdiction in which the Company or any of its subsidiaries has operations, the failure of which has or will have a Material Adverse Effect, and to the Company’s

knowledge, there are no facts or circumstances which indicate that any of (1) or (2) is threatened;

- (m) trading in the equity securities of the Company on the Main Board of the SGX-ST has not been suspended by the SGX-ST and there has been no delisting of the Company from the Official List of the SGX-ST or withdrawal of the admission to trading in the equity securities of the Company on the Main Board of the SGX-ST and no delisting, suspension of trading by the SGX-ST or withdrawal of admission to trading is pending or threatened by the SGX-ST or any authority; and
 - (n) IFC has received payment for, or reimbursement of all invoiced fees and expenses of its legal counsel(s), as provided under the IFC Subscription Agreement, or confirmation from such counsel(s) that those fees and expenses have been paid directly to such counsel(s).
- (ii) Completion under the Subscription Agreement in respect of DAH (the “**RRJ Subscription Agreement**”) is conditional upon the following (the “**RRJ Conditions Precedent**”):
- (a) the representations and warranties made by the Company as set out in the RRJ Subscription Agreement and in any schedule, exhibit or certificate delivered by the Company pursuant to the RRJ Subscription Agreement, remain true, accurate and not misleading immediately prior to the RRJ Subscription, save as modified or supplemented pursuant to sub-paragraph (b) below;
 - (b) if it is necessary for the Company to modify or supplement the representations and warranties made by the Company in the RRJ Subscription Agreement, it shall deliver an updated Company disclosure schedule to RRJ not less than 10 business days (or such shorter time period as RRJ may agree) prior to the proposed date of completion of the RRJ Subscription (the “**RRJ Completion Date**”) and the substance of any modification or supplementation of any of the representations and warranties referred to in sub-paragraph (a) above made in such updated Company disclosure schedule is acceptable to RRJ in its sole discretion;
 - (c) all of the agreements and covenants of the Company to be performed prior to completion pursuant to the RRJ Subscription Agreement have been duly performed in all material respects, and no breach (or any event which, with notice, lapse of time, the making of a determination or any combination, would become a breach) under the RRJ Subscription Agreement has occurred and is continuing;
 - (d) approval in-principle of the SGX-ST for the listing and quotation of the RRJ Subscription Shares on the Main Board of the SGX-ST has been obtained on terms reasonably acceptable to the Company and RRJ and such approval remains in full force and effect on the RRJ Completion Date and, if such approval is subject to any conditions which are required to be fulfilled on or prior to the RRJ Completion Date, such conditions are so fulfilled or waived by the SGX-ST, as the case may be;

- (e) nothing has occurred which has or will reasonably be expected to have since the date of the RRJ Subscription Agreement, a Material Adverse Effect;
- (f) the Company remains in compliance with the S&E Management System and the S&E Management System has not been amended, waived or otherwise restricted in scope or effect since 22 December 2014, save as permitted under the terms and conditions of the IFC Subscription;
- (g) no injunction or other order issued by any competent authority or other legal restraint or prohibition or any litigation, arbitration, administrative, regulatory or governmental proceeding or investigation preventing the RRJ Subscription being in effect on the RRJ Completion Date;
- (h) immediately prior to closing, neither the Company nor any of its subsidiaries is involved in any litigation, arbitration, administrative, regulatory or governmental proceeding or investigation which has or will have a Material Adverse Effect, and to the Company's knowledge, there are no facts or circumstances which indicate that any of such proceedings or investigations is threatened;
- (i) immediately prior to closing, there are no material social or environmental risks or issues in respect of the Company Operations, which has or will have a Material Adverse Effect, and neither the Company nor any of its subsidiaries has received (1) any existing complaint, order, directive, claim, citation or notice from any authority or (2) any written communication from any person, in either case, concerning the failure of the Company Operations to comply with any matter covered by any applicable statutes, laws, ordinances, rules and regulations of the People's Republic of China, Singapore, the Bermuda Islands and any other applicable jurisdiction in which the Company or any of its subsidiaries has operations, the failure of which has or will have a Material Adverse Effect, and to the Company's knowledge, there are no facts or circumstances which indicate that any of (1) or (2) is threatened;
- (j) the Shareholder Approval and the resolutions of the board of directors of the Company (which, for the avoidance of doubt, may consist of several resolutions passed on separate dates) (1) approving and authorizing the Company's entry into the RRJ Subscription Agreement and the allotment and issue of the RRJ Subscription Shares to DAH on the basis that the RRJ Subscription Shares shall (i) be fully-paid and non-assessable, and (ii) rank *pari passu* in all respects with and carry all rights similar to the Shares existing as at the date of the RRJ Subscription Agreement, (2) authorizing and designating the persons authorized to execute, for and on behalf of the Company, the RRJ Subscription Agreement and any other document, certificate or notice to be issued by the Company in connection with the RRJ Subscription Agreement and (3) convening the special general meeting to seek the Shareholder Approval have been obtained each of these authorizations remains in full force and effect on the IFC Completion Date;
- (k) RRJ has received a legal opinion or opinions, in form and substance satisfactory to RRJ, from its counsel(s), covering such matters relating to the

transactions contemplated by the RRJ Subscription Agreement, the RTO Allotment and Issue, the Shareholder Approval or the Company's Charter as RRJ may request; and

- (l) trading in the equity securities of the Company on the Main Board of the SGX-ST has not been suspended by the SGX-ST and there has been no delisting of the Company from the Official List of the SGX-ST or withdrawal of the admission to trading in the equity securities of the Company on the Main Board of the SGX-ST and no delisting, suspension of trading by the SGX-ST or withdrawal of admission to trading is pending or threatened by the SGX-ST or any authority.

The Company and each Investor have agreed that in the event the IFC Conditions Precedents or the RRJ Conditions Precedents (as the case may be) are not satisfied or waived by 21 March 2015 or such other extended date as may be agreed between the Company and such Investor (the "**Long Stop Date**"), the relevant Subscription Agreement shall terminate and neither the Company nor the relevant Investor shall have any further rights and obligations under it, save for any antecedent breach of the terms of the relevant Subscription Agreement.

4.4 Completion

Upon the satisfaction or waiver by the relevant Investor, as applicable and as the case may be, of the IFC Condition Precedents or the DAH Condition Precedents (as the case may be) pursuant to the terms of the relevant Subscription Agreement, the Company will deliver to the relevant Investor a notice (each, a "**Closing Notice**") which will set forth the date on which completion of such Investor's Subscription is to occur, provided that such date shall fall no earlier than 10 business days and no later than 15 business days after the date of the Closing Notice or such other date as may be agreed between the Company and the relevant Investor. Completion under each Subscription Agreement is expected to take place on such specified date.

5. **PRINCIPAL TERMS OF THE POLICY AGREEMENT**

In connection with the Subscription by IFC, IFC has requested for the Company, and the Company has agreed, to adhere to certain operational policy requirements stipulated by IFC, pursuant to which the Company and IFC has on 19 January 2015, entered into a policy agreement (the "**Policy Agreement**"). The operational policy requirements set out in the Policy Agreement include the Company agreeing that it will not, and will ensure that each of its subsidiaries will not, enter into any activity prohibited by any resolution of the United Nations Security Council under Chapter VII of the United Nations Charter and that it will not engage in (nor authorize or permit any affiliate or any other person acting on its behalf to engage in) any sanctionable practice (as defined under the Policy Agreement) with respect to the Company. The Company is required to comply with the terms of the Policy Agreement until such time IFC no longer holds any IFC Subscription Shares.

6. SPECIAL GENERAL MEETING

The Company will convene a special general meeting (“**SGM**”) to seek the Shareholder Approval and such other matters as the Board may deem desirable or necessary in connection with or arising out of the Subscriptions. A circular containing further information on the relevant matters and the notice to convene the SGM will be despatched by the Company to Shareholders in due course.

7. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDER

None of the Directors or, to the best of the Company’s knowledge, the substantial shareholder of the Company, has any interest, direct or indirect, in the Subscriptions (other than through their respective shareholdings in the Company).

BY ORDER OF THE BOARD
CHINA EVERBRIGHT WATER LIMITED

Wang Tianyi
Executive Director, Vice-Chairman and Chief Executive Officer
20 January 2015