

CHINA EVERBRIGHT WATER LIMITED

(Incorporated in Bermuda)

(Company Registration No. 34074)

RESPONSE TO THE QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (THE "SGX-ST") ON THE ANNUAL REPORT 2014

China Everbright Water Limited (the "Company") refers to the query raised by the SGX-ST in relation to the Annual Report 2014 (the "Annual Report") and responds as follows:

Query:

"We note on page 38 of the Annual Report the statement that there are no interested person transactions for the financial year ended 31 December 2014. However, on page 108 of the Annual Report the following significant related party transactions were noted:-

- (a) Interest expense: HK\$7,073,000
- (b) Service expense for operation of waste-water treatment plants: HK\$31,185,000
- (c) Revenue from operation services: HK\$55,292,000
- (d) Finance income: HK\$26,753,000

Please provide details of each of the arrangements in (a) to (d) above and explain why these are not reported as interested person transactions on page 38."

Response:

Items (b) to (d) on page 108 of the Annual Report are not interested person transactions as they do not involve an interested person of the Company (as defined in Chapter 9 of the Listing Manual), including a controlling shareholder, or its associates (as defined in the Listing Manual).

Due to the acquisition (the "Acquisition") by the Company of China Everbright Water Investments Limited ("CEWIL") from China Everbright Water Holdings Limited ("CEWHL"), CEWHL became a controlling shareholder of the Company.

The Acquisition has been accounted as a Reverse Takeover in accordance with International Financial Reporting Standards IFRS 3 Business Combinations (see Note 2 to the Notes to the Financial Statements in the Annual Report). The legal subsidiary, CEWIL, is regarded as the acquirer and the Company as the acquiree, for accounting purposes. As such, the consolidated financial statements have been prepared and presented as a continuation of CEWIL's consolidated financial statements.

As a result of the application of IFRS 3, the related party transactions stated in item (a) on page 108 of the Annual Report include transactions which occurred prior to the completion of the Acquisition on 12 December 2014 (the "Completion Date"), i.e. before CEWHL became a controlling shareholder of the Company. Such pre- Completion Date transactions were therefore not interested person transactions under the Listing Manual as they did not involve an interested person of the Company or its associates at the time they occurred.

From the Completion Date to 31 December 2014, the value of the related party transactions noted as item (a) on page 108 of the Annual Report was less than S\$100,000 and these transactions were therefore disregarded under Rule 907 of the Listing Manual.

BY ORDER OF THE BOARD
CHINA EVERBRIGHT WATER LIMITED

Wang Tianyi
Executive Director, Vice-Chairman and Chief Executive Officer
4 May 2015