

## CHINA EVERBRIGHT WATER LIMITED

Company Registration No.: 34074  
(Incorporated in Bermuda)

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### PROPOSED SHARE PREMIUM REDUCTION

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#### 1. INTRODUCTION

The Board of Directors (the “**Board**”) of China Everbright Water Limited (the “**Company**” or “**CEWL**”) refers to the audited consolidated financial statements of the Company and its subsidiaries (the “**CEWL Group**”) for the financial year ended 31 December 2014 (the “**FY2014 Results**”). As stated in the FY2014 Results:

- (i) during the year, the Company performed an impairment review to assess the recoverable amount of the cost of investment by the Company in China Everbright Water Investments Limited (“**CEWIL**”) in connection with the acquisition by the Company of the entire issued and paid-up share capital of CEWIL from China Everbright Water Holdings Limited (the “**CEWHL**”), a wholly-owned subsidiary of China Everbright International Limited, and the allotment and issue of shares to CEWHL as consideration for such acquisition (the “**RTO**”);
- (ii) as the cost of investment in CEWIL was assessed to be higher than the recoverable amount, an impairment test was performed. The estimate of the recoverable amount of CEWIL was based on the valuations performed by two independent professional firms; and
- (iii) based on this assessment, an impairment loss of HK\$4,698,870,000 was recognised in the Company’s profit and loss statement in relation to its investment in CEWIL (the “**Impairment Loss**”).

In connection with the above, the Board wishes to announce a proposed reduction of the amount standing to the credit of the share premium account (the “**Share Premium Account**”) of the Company (the “**Share Premium Reduction**”), so as to utilise the credit amount arising from the Share Premium Reduction to set off against the accumulated losses of the Company (which includes the accumulated losses arising from the Impairment Loss).

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*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.*

## 2. THE SHARE PREMIUM REDUCTION

2.1 **Share Premium Reduction.** The Share Premium Reduction will involve the following:

- (i) the reduction of the entire amount standing to the credit of the Share Premium Account to nil;
- (ii) the transfer of the credit amount arising from the Share Premium Reduction to the contributed surplus account of the Company (the “**Contributed Surplus Account**”); and
- (iii) the granting of authority to the Directors to utilise and apply any credit balance in the Contributed Surplus Account in accordance with the Bye-laws of the Company, as amended from time to time, and all applicable laws (including the application of any credit balance to set off against accumulated losses of the Company), as and when the Directors may consider appropriate.

2.2 **Share Premium Account and Accumulated Losses.** As at 30 June 2015, the amount standing to the credit of the Share Premium Account is approximately HK\$12,123,844,000 and the accumulated losses of the Company (including the accumulated losses resulting from the Impairment Loss) amount to approximately HK\$4,452,787,000.

2.3 **Effects of the Share Premium Reduction on Share Capital.** The Share Premium Reduction does not involve any reduction in the authorised or issued share capital of the Company, nor does it involve the diminution of any liability in respect of unpaid share capital or the payment to any Shareholder of any paid up share capital of the Company.

The Share Premium Reduction will also not result in any change in the number of ordinary shares in the capital of the Company (“**Shares**”) held by any Shareholder. Each Shareholder will hold the same number of Shares before and immediately after the Share Premium Reduction.

## 3. RATIONALE

The Board is of the view that the Share Premium Reduction is beneficial to the Company and the Shareholders as a whole as it will enable the Company to utilise the credit amount arising from the Share Premium Reduction to set off against the accumulated losses of the Company (including the accumulated losses resulting from the Impairment Loss) and will accordingly allow for future dividend payments if there are retained profits and deemed appropriate by the Board and subject to the relevant approvals.

**Shareholders, however, should note there can be no assurance that a dividend will be declared or paid in future even if the Share Premium Reduction becomes effective.**

## 4. CONDITIONS

The Share Premium Reduction is subject to, *inter alia*:

- (i) the approval of the Shareholders by way of a special resolution for the Share Premium Reduction (i.e. a resolution of the Company passed by a majority of not less than three-fourths of the votes cast by Shareholders who are entitled to do so and

vote in person or (where proxies are allowed) by proxy or, in the case of Shareholders which are corporations, by their respective duly authorised representatives or (where proxies are allowed) by proxy) at a special general meeting of the Shareholders to be convened (the “SGM”);

- (ii) compliance with relevant legal procedures and requirements under Bermuda laws and Singapore laws (if any) to effect the Share Premium Reduction, including but not limited to the publication of a notice in an appointed newspaper in Bermuda at a date not more than 30 days and not less than 15 days before the effective date of the Share Premium Reduction;
- (iii) on the date the Share Premium Reduction is to be effected, there being reasonable grounds for believing that the Company is, and after the said reduction would be, able to pay its liabilities as they become due; and
- (iv) all other relevant approvals and consents being obtained.

## 5. FINANCIAL EFFECTS

**5.1 Net Asset Value, Gearing and Earnings per Share.** The Share Premium Reduction will not have any impact on the net asset value, gearing or earnings per share of the CEWL Group.

**5.2 Shareholders’ Funds and Reserves.** The pro forma financial effects of the Share Premium Reduction on the shareholders’ funds and reserves of the Company have been prepared based on the FY2014 Results, being the most recently completed financial year of the Company as at the date of this Announcement. The pro forma financial effects are purely for illustrative purposes only and are therefore not necessarily indicative of the actual financial position of the Company after the completion of the Share Premium Reduction.

Assuming the Share Premium Reduction had been completed on 31 December 2014, being the end of the most recently completed financial year of the Company as at the date of this Announcement, the pro forma financial effects of the shareholders’ funds and reserves of the Company for the financial year ended 31 December 2014 are as follows:

|   | <b>Before the Share Premium Reduction</b> | <b>Pro forma after the Share Premium Reduction</b> |
|---|---|--|
| Share capital (HK\$'000)  | 2,549,345                                 | 2,549,345  |
| Share premium (HK\$'000)  | 11,584,834                                | –  |
| Contributed surplus (HK\$'000)                                  | –   | 7,154,517  |
| Statutory reserve and other reserves (HK\$'000)                 | 5,267                                     | 5,267  |
| Accumulated losses (HK\$'000)                                   | (4,430,317)                               | –  |
| Equity attributable to equity holders of the Company (HK\$'000) | 9,709,129                                 | 9,709,129  |

**6. FURTHER INFORMATION**

A circular to Shareholders containing further details of the Share Premium Reduction and the notice of the SGM to be convened to seek the approval of Shareholders for the Share Premium Reduction will be despatched to Shareholders in due course.

By Order of the Board

**CHINA EVERBRIGHT WATER LIMITED**

Wang Tianyi  
Executive Director and Chairman

23 October 2015