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CHINA EVERBRIGHT WATER LIMITED

中國光大水務有限公司

(Incorporated in Bermuda with limited liability)

(Hong Kong Stock Code: 1857)

(Singapore Stock Code: U9E)

**DISCLOSEABLE TRANSACTION
UNDER THE SEHK LISTING RULES
ENTRY INTO THE PROJECT AGREEMENT
FOR TANGYE NEW AREA
WASTE WATER TREATMENT PLANT
PUBLIC-PRIVATE PARTNERSHIP PROJECT**

SUMMARY

The Board is pleased to announce that, on 4 November 2019, the Private Partners (namely the Company and Ji'nan Sijian) and Eastern Development Service Centre entered into the Project Agreement, pursuant to which, the Private Partners will establish the Project Company. The total investment amount of the Project is estimated to be approximately RMB313,187,900 (equivalent to approximately HK\$348,578,132.70), which includes the registered capital of the Project Company of RMB104,291,600 (of which RMB104,187,308.40 (equivalent to approximately HK\$115,960,474.25) will be contributed by the Company). Upon the Completion, the Company and Ji'nan Sijian shall hold 99.9% and 0.1% equity interest in the Project Company, respectively.

Eastern Development Service Centre will grant a concession right to the Private Partners for the investment in, and the financing, construction, operation and maintenance of Tangye New Area waste water treatment plant under the Project. During the concession period of the Project, the assets under the Project, including but not limited to lands, buildings, roads and other facilities, are owned by Eastern Development Service Centre, and the Private Partners shall be entitled to use the property, equipment and facilities invested by it and to collect service fees for waste water treatment under the Project.

IMPLICATIONS OF THE SEHK LISTING RULES

As the applicable percentage ratio exceeds 5% but is less than 25%, the transaction contemplated under the Project Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the SEHK Listing Rules, and is subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under the SEHK Listing Rules.

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Ji'nan Sijian and Eastern Development Service Centre are not regarded as "interested persons" of the Company or associates of the "interested persons" of the Company under the listing manual of the SGX-ST. None of the Directors or controlling shareholders (which shall have the meaning ascribed thereto under the listing manual of the SGX-ST) of the Company has any interest, direct or indirect, in the Project.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Ji'nan Sijian and Eastern Development Service Centre, together with their respective ultimate beneficial owners, are third parties independent of the Company and the connected person(s) of the Company.

PROJECT AGREEMENT

(1) Date

4 November 2019

(2) Parties

- (i) the Company;
- (ii) Ji'nan Sijian; and
- (iii) Eastern Development Service Centre.

(3) Project Company and Capital Contribution

The Project Company is principally engaged in the investment and finance, construction, operation and maintenance of the Project. The Private Partners will establish the Project Company in Licheng District, Ji'nan City within 30 days from signing of the Project Agreement, and enter into a relevant novation contract or supplemental agreement (as the case may be) within five Business Days from the establishment of the Project Company.

Pursuant to the Project Agreement, the total investment amount to be contributed by the Private Partners in the Project is expected to be approximately RMB313,187,900 (including the registered capital of the Project Company).

The registered capital of the Project Company will be RMB104,291,600 (equivalent to approximately HK\$116,076,550.80). The parties have agreed that the registered capital of the Project Company will be contributed as follows:

- (i) the Company will contribute RMB104,187,308.40 in cash (equivalent to approximately HK\$115,960,474.25), representing 99.9% of the registered capital of the Project Company; and
- (ii) Ji'nan Sijian will contribute RMB104,291.60 in cash (equivalent to approximately HK\$116,076.55), representing 0.1% of the registered capital of the Project Company.

Upon the Completion, the Company and Ji'nan Sijian shall hold 99.9% and 0.1% equity interest in the Project Company, respectively. The Project Company will become a non wholly-owned subsidiary of the Company.

THE PROJECT

(1) Scope of Business of the Project Company

The Project will be undertaken by the Project Company in Ji'nan City, which will involve the investment in, and the financing, construction, operation and maintenance of Tangye New Area waste water treatment plant, including:

- (i) undertaking the construction of the waste water treatment plant and its ancillary facilities included in the approved feasibility study report or preliminary design of the Project (the total designed daily waste water treatment capacity of the aforesaid waste water treatment plant shall be 45,000 m³ (comprising 25,000 m³ for phase I and 20,000 m³ for phase II));
- (ii) construction, operation and maintenance of the assets under the Project and collecting waste water treatment service fees in accordance with the Project Agreement; and
- (iii) other business activities as approved by Eastern Development Service Centre.

The scope of business of the Project Company shall not exceed what was agreed under the Project Agreement, details of which shall be subject to business registration.

(2) Concession Right

Eastern Development Service Centre will grant a concession right to the Project Company for the investment in, financing, construction, operation and maintenance of Tangye New Area waste water treatment plant for a concession period of 30 years, including a construction period of one year and an operation period of 29 years.

During the concession period of the Project, the assets under the Project, including but not limited to facilities such as land, buildings and roads, are owned by Eastern Development Service Centre. Eastern Development Service Centre will be responsible for completing the land acquisition and compensation for the Project, handling relevant legal formalities and documents, and obtaining the land use rights certificates for the land required for Tangye New Area waste water treatment plant.

The Private Partners will be fully responsible for the capital raising and construction of the Project. During the concession period, the Private Partners will have exclusive right to invest in, finance, construct, operate and maintain the Project through the Project Company, and are entitled to use the assets, equipment and facilities it invests in and to collect waste water treatment service fees under the Project. Upon expiry of the concession period, the Private Partners shall transfer the facilities under the Project to Eastern Development Service Centre or such other organisation designated by the People's Government at nil consideration.

(3) The Total Investment Amount of the Project and the Financing Obligations of the Private Partners

The total investment amount of the Project is estimated to be approximately RMB313,187,900 (equivalent to approximately HK\$348,578,132.70), which includes the registered capital of the Project Company. The registered capital of the Project Company will be RMB104,291,600 (equivalent to approximately HK\$116,076,550.80), which will be contributed by the Private Partners as agreed under the Project Agreement. The difference between the total investment amount and the registered capital will be financed through bank loans and shareholder loans to be arranged by the Private Partners.

The Private Partners will be responsible for the financing of all of the funding required for the Project. The Private Partners shall not create any security on or dispose of any of the assets involved under the Project in any form without the prior written consent of Eastern Development Service Centre. Within 60 days from the establishment of the Project Company, the Private Partners are required to provide a loan agreement to Eastern Development Service Centre in accordance with its financing plan. The Project Company's financing plan is subject to the review and approval by Eastern Development Service Centre. The financing plan shall be approved by Eastern Development Service Centre provided that such financing plan does not affect the progress of the Project. If the financing plan is not approved by Eastern Development Service Centre, the Project Company may not carry out any financing activities in the name of the Project.

(4) Conditions Precedent

The Project Agreement shall come into effect only after the following conditions precedent have been fulfilled:

(1) Conditions precedent that the Private Partners shall fulfill:

- (a) within ten Business Days from the signing of the Project Agreement, submit to Eastern Development Service Centre a letter of guarantee in relation to the construction period as described in the section “The Project – (5) Performance Guarantees” in this announcement; and
- (b) within seven days from the signing of the Project Agreement, purchase an insurance policy in accordance with the relevant provisions in the Project Agreement concerning insurance in the construction period, and the policy has come into force.

(2) Conditions precedent that Eastern Development Service Centre shall fulfill:

- (a) the Project Agreement is reviewed and approved by the People’s government.

If the Private Partners fail to fulfill any of the relevant conditions precedent within the required period (or such conditions precedent have not been waived by Eastern Development Service Centre), Eastern Development Service Centre may terminate the Project Agreement and (among other things) withdraw the tender guarantee or the letter of guarantee in relation to construction period under the Project Agreement. If Eastern Development Service Centre fails to fulfill any of the relevant conditions precedent within the required period, the Private Partners may terminate the Project Agreement.

Upon the termination of the Project Agreement and provided that such termination is due to the failure of one party to fulfill the relevant conditions precedent within the required period, all the other rights and obligations under the Project Agreement shall cease to have effect except for the terms expressly provided in the Project Agreement that will survive the termination of the Project Agreement, but the other party to the agreement has the right to claim certain economic compensation from it.

(5) Performance Guarantees

The total amount of the performance guarantees to be provided by the Private Partners for the Project shall be RMB45,000,000. The Private Partners shall, of their own accord, provide Eastern Development Service Centre with (a) a letter of guarantee in relation to the construction period in the amount of RMB15,000,000, (b) a letter of guarantee in relation to the operation and maintenance in the amount of RMB15,000,000 and (c) a letter of guarantee in relation to the transfer in the amount of RMB15,000,000. The three letters of guarantee mentioned above shall be irrevocable bank guarantees which can be honoured at any time. The major terms are as follows:

(a) Letter of Guarantee in relation to the Construction Period

The Private Partners shall, of their own accord, provide a letter of guarantee in relation to the construction period for Eastern Development Service Centre within ten Business Days from the signing of the Project Agreement.

The letter of guarantee in relation to the construction period shall be valid from the signing date until the date of completion of construction of the Project upon inspection and acceptance of the Project and the provision of a letter of guarantee in relation to the operation and maintenance by the Private Partners. If an early termination of the letter of guarantee in relation to the construction period occurs, the said letter of guarantee shall remain valid for six months after such termination.

(b) Letter of Guarantee in relation to the Operation and Maintenance

The Private Partners shall, of their own accord, provide a letter of guarantee in relation to the operation and maintenance for Eastern Development Service Centre within 15 Business Days from the date that the Project commences operation.

The letter of guarantee in relation to the operation and maintenance shall be valid from the date that the Project commences operation until the date that the Private Partners provide a letter of guarantee in relation to the transfer (which can be issued in batches). If an early termination of the letter of guarantee in relation to the operation and maintenance occurs, the said letter of guarantee shall remain valid for six months after such termination.

Provided that Eastern Development Service Centre issues the official documents approved by the People's Government to incorporate cross-year expenditure liability of the Project's waste water treatment service fees into the interim financial plan in a timely manner, if the Private Partners fail to provide the letter of guarantee in relation to the operation and maintenance for Eastern Development Service Centre within the period as required in the Project Agreement, Eastern Development Service Centre may deduct the corresponding amount from the waste water treatment service fees payable and may terminate the Project Agreement in advance, and revoke the concession right granted under the Project Agreement.

(c) *Letter of Guarantee in relation to the Transfer*

The Private Partners shall, of their own accord, provide a letter of guarantee in relation to the transfer for Eastern Development Service Centre within one month prior to the date of the transfer of the Project.

The letter of guarantee in relation to transfer shall be valid for the period from the date of transfer of the Project until the expiration of 12 months after the concession right under the Project Agreement expires. If an early termination of the letter of guarantee in relation to the transfer occurs, the said letter of guarantee shall remain valid for six months after such termination.

Provided that Eastern Development Service Centre issues the official documents approved by the People's government to incorporate cross-year expenditure liability of the Project's waste water treatment service fees into the interim financial plan in a timely manner, if the Private Partners fail to provide the letter of guarantee in relation to the transfer for Eastern Development Service Centre within the period as required in the Project Agreement, Eastern Development Service Centre may deduct the corresponding amount from the waste water treatment service fees payable and may terminate the Project Agreement in advance, and revoke the concession right granted under the Project Agreement.

(6) Capital Contribution

Within one month from the establishment of the Project Company, the Private Partners shall pay the first contribution of RMB60,815,700 according to their shareholdings in the Project Company. The remaining amount of contribution shall be paid in batches by the Private Partners based on the construction progress of the Project. In respect of the capital contribution, the Company will finance by the internal resources of the Company and/or external financing.

(7) Governance and Management of the Project Company

The board of directors of the Project Company will comprise three directors, two of whom will be appointed by the Private Partners and one of whom will be appointed by Eastern Development Service Centre. The chairman of the board will be a director appointed by the Private Partners.

The supervisory board of the Project Company will comprise three supervisors, one of whom will be appointed by the Private Partners, one of whom will be appointed by Eastern Development Service Centre, and an employee representative supervisor will be elected by the staff of the Project Company.

INFORMATION ABOUT THE COMPANY, JI'NAN SIJIAN AND EASTERN DEVELOPMENT SERVICE CENTRE

The Company is principally engaged in water environment treatment, sponge city construction, river-basin ecological restoration, water supply, waste water treatment, reusable water, waste water source heat pump, sludge treatment and disposal, research and development of water technologies, and engineering construction, etc.

Ji'nan Sijian is principally engaged in major construction business, with construction and service projects covering several provinces in the PRC including Shandong, Jiangsu, Anhui and Xinjiang, as well as countries and regions in Western Asia, Eastern Europe and Africa.

Eastern Development Service Centre is an entity authorized by Licheng District People's Government, Ji'nan City, to enter into the Project Agreement.

REASONS AND BENEFITS OF THE PROJECT AGREEMENT AND THE PROJECT

The Company has a business presence in Shandong Province of the PRC and the Project is a new project secured by the Company in Shandong Province within the principal business of waste water treatment. Accordingly, the Project serves to expand the presence and influence of the Company in Shandong Province and surrounding areas, and provides a good foundation for further waste water treatment plant projects to be undertaken by the Company in the future. The Project is expected to enhance long-term returns and value for the shareholders of the Company.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Project (including the Project Agreement) are entered into by the parties after arm's length negotiations based on normal commercial terms, and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

IMPLICATIONS OF THE SEHK LISTING RULES

As the applicable percentage ratio exceeds 5% but is less than 25%, the transaction contemplated under the Project Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the SEHK Listing Rules, and is subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under the SEHK Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the following meanings unless the context requires otherwise:

“Board”	the board of Directors of the Company
“Business Day(s)”	any day (excluding a statutory rest day and statutory holiday or public holiday in the PRC) on which institutions generally work
“Company”	China Everbright Water Limited (中國光大水務有限公司), an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Mainboard of the SGX-ST and the Main Board of the SEHK
“Completion”	completion of the injection of the registered capital of the Project Company pursuant to the terms and conditions of the Project Agreement
“connected person(s)”	has the meaning ascribed thereto under the SEHK Listing Rules
“Directors”	directors of the Company

“Eastern Development Service Centre”	Eastern New Area Development Service Centre of Licheng District, Ji’nan City* (濟南市歷城區東部新區發展服務中心), an entity authorized by Licheng District People’s Government, Ji’nan City, to enter into the Project Agreement
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Ji’nan City”	Ji’nan City, Shandong Province, the PRC
“Ji’nan Sijian”	Jinan Sijian Construction Group Co., Ltd.* (濟南四建(集團)有限責任公司), a company established in the PRC with limited liability
“People’s Government”	the People’s Government of Licheng District in Ji’nan City
“PRC”	the People’s Republic of China
“Private Partners”	the Company and Ji’nan Sijian
“Project”	Tangye New Area waste water treatment plant public-private partnership project, details of which are set out in the section headed “The Project – (1) Scope of Business of the Project Company” in this announcement
“Project Agreement”	the project agreement entered into by the Company, Ji’nan Sijian and Eastern Development Service Centre on 4 November 2019 in relation to the Project (as supplemented and amended from time to time)
“Project Company”	a company to be established in the PRC with limited liability under the Project Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“SEHK”	The Stock Exchange of Hong Kong Limited
“SEHK Listing Rules”	the Rules Governing the Listing of Securities on SEHK

“SGX-ST”	Singapore Exchange Securities Trading Limited
“Tangye New Area”	Tangye New Area, Licheng District, Ji’nan City
“%”	per cent

* *for identification purpose only*

By Order of the Board
China Everbright Water Limited
An Xuesong
Executive Director and Chief Executive Officer

Date: 4 November 2019

For the purpose of this announcement and for illustration purpose only, the approximate exchange rate between RMB and HK\$ is 1.00 : 1.1130. This exchange rate should not be construed as a representation that any amount denominated in HK\$ or RMB could have been or could be converted at the above rates or at any other rates.

As at the date of this announcement, the Board comprises: (i) a non-executive director, Mr. Wang Tianyi (Chairman); (ii) two executive directors, namely Mr. An Xuesong (Chief Executive Officer) and Mr. Luo Junling; and (iii) four independent non-executive directors, namely Mr. Zhai Haitao, Mr. Lim Yu Neng Paul, Ms. Cheng Fong Yee and Ms. Hao Gang.