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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
THE WASTE WATER TREATMENT (PLANT 3) AND
ANCILLARY PIPELINE NETWORK PPP PROJECT
IN SHEN COUNTY, LIAOCHENG CITY, SHANDONG PROVINCE**

SUMMARY

The Board is pleased to announce that, on 20 February 2023, the Company, China Railway Environmental Engineering and Liaocheng Luxi Management Committee entered into the PPP Project Agreement in relation to the Project, pursuant to which, the Consortium and Shandong Lukai (as an investor representative of the government for the Project) will incorporate the Project Company. The total investment amount of the Project is estimated to be approximately RMB668,000,000.00 (equivalent to approximately HK\$774,880,000.00) which includes the registered capital of the Project Company in the amount of RMB220,000,000.00 (equivalent to approximately HK\$255,200,000.00). The Company, China Railway Environmental Engineering and Shandong Lukai shall hold 98%, 1% and 1% equity interest in the Project Company, respectively.

The People's Government of Shen County (莘縣人民政府) has authorised Liaocheng Luxi Management Committee to be the implementation party of the Project and will grant the concession right of the Project to the Project Company on an exclusive basis for the investment in, financing, construction, operation, maintenance and transfer of the Plant and Pipeline Network, the provision of waste water treatment services, the rights to receive waste water treatment service fees and other revenues. The Project comprises a waste water treatment plant with a designed daily waste water treatment capacity of 60,000 m³, which will be implemented in two phases, of which the designed daily waste water treatment capacities for the first and second phases are 40,000 m³ and 20,000 m³ respectively. The Project will also construct, *inter alia*, a waste water pipeline network of 24 km, a rainwater pipeline network of 10 km, a reusable water pipeline network of 4 km and a pumping station. The Cooperation Period of the Project shall be for a period of 30 years. During the Cooperation Period, the Project Company is entitled to use the land of the Project at nil consideration, and is entitled to use the Project Assets, operate and maintain the Project and receive the waste water treatment service fees and other revenues.

IMPLICATIONS OF THE SEHK LISTING RULES

As the applicable percentage ratio exceeds 5% but is less than 25%, the transaction contemplated under the PPP 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.

SUMMARY

The Board is pleased to announce that, on 20 February 2023, the Company, China Railway Environmental Engineering and Liaocheng Luxi Management Committee entered into the PPP Project Agreement in relation to the Project, pursuant to which, the Consortium and Shandong Lukai (as an investor representative of the government for the Project) will incorporate the Project Company. The total investment amount of the Project is estimated to be approximately RMB668,000,000.00 (equivalent to approximately HK\$774,880,000.00) which includes the registered capital of the Project Company in the amount of RMB220,000,000.00 (equivalent to approximately HK\$255,200,000.00). The Company, China Railway Environmental Engineering and Shandong Lukai shall hold 98%, 1% and 1% equity interest in the Project Company, respectively.

The People's Government of Shen County (莘縣人民政府) has authorised Liaocheng Luxi Management Committee to be the implementation party of the Project and will grant the concession right of the Project to the Project Company on an exclusive basis for the investment in, financing, construction, operation, maintenance and transfer of the Plant and Pipeline Network, the provision of waste water treatment services, the rights to receive waste water treatment service fees and other revenues. The Project comprises a waste water treatment plant with a designed daily waste water treatment capacity of 60,000 m³, which will be implemented in two phases, of which the designed daily waste water treatment capacities for the first and second phases are 40,000 m³ and 20,000 m³ respectively. The Project will also construct, *inter alia*, a waste water pipeline network of 24 km, a rainwater pipeline network of 10 km, a reusable water pipeline network of 4 km and a pumping station. The Cooperation Period of the Project shall be for a period of 30 years. During the Cooperation Period, the Project Company is entitled to use the land of the Project at nil consideration, and is entitled to use the Project Assets, operate and maintain the Project and receive the waste water treatment service fees and other revenues.

China Railway Environmental Engineering, Shandong Lukai and Liaocheng Luxi Management Committee are not regarded as "interested persons" of the Company or associates of the "interested persons" of the Company under the SGX Listing Manual. None of the Directors or controlling shareholders 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, each of China Railway Environmental Engineering, Shandong Lukai, their ultimate beneficial owners and Liaocheng Luxi Management Committee is a third party independent of the Company and the connected person(s) of the Company. Shandong Lukai is wholly owned by the State-owned Assets Administration Bureau of Shen County (莘縣國有資產管理局). China Railway Environmental Engineering is wholly owned by China Railway No.1 Engineering Group Co., Ltd. (中鐵一局集團有限公司), whose ultimate beneficial owner is China Railway Group Limited (中國中鐵股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (Stock Code: 601390) and the SEHK (Stock Code: 390). Liaocheng Luxi Management Committee is a government authority under the People's Government of Shen County (莘縣人民政府).

THE PPP PROJECT AGREEMENT

The principal terms of the PPP Project Agreement are as follows:

(1) Date

20 February 2023

(2) Parties

- (a) the Company;
- (b) China Railway Environmental Engineering; and
- (c) Liaocheng Luxi Management Committee.

(3) Project Company and Capital Contribution

The Consortium and Shandong Lukai (as an investor representative of the government for the Project) shall incorporate the Project Company in Shen County. The Consortium, Shandong Lukai and the Project Company shall enter into a novation agreement with Liaocheng Luxi Management Committee after the incorporation of the Project Company to novate the rights and obligations under the PPP Project Agreement to the Project Company.

The total investment amount of the Project is estimated to be approximately RMB668,000,000.00 (equivalent to approximately HK\$774,880,000.00), which includes the registered capital of the Project Company and other funds required for the Project.

The registered capital of the Project Company will be RMB220,000,000.00 (equivalent to approximately HK\$255,200,000.00). The Company, China Railway Environmental Engineering and Shandong Lukai shall hold 98%, 1% and 1% equity interest in the Project Company, respectively. The Project Company will become a non wholly-owned subsidiary of the Company. The Company will finance the capital contribution by its internal resources and/or external financing.

The difference between the total investment amount and the registered capital will be financed through bank loans and other methods by the Consortium and/or the Project Company. The Consortium and/or the Project Company will be responsible for the financing of all funds required for the Project. Please refer to the “Total Investment Amount of the Project and the Financing Obligations of the Consortium” section of this announcement.

(4) Scope of Business of the Project Company, Cooperation Period and Concession Right

The Project will be undertaken by the Project Company, which involves the investment in, financing, construction, operation, maintenance and transfer of the Plant and Pipeline Network, the provision of waste water treatment services, the rights to receive waste water treatment service fees and other revenues.

The Cooperation Period shall be for a period of 30 years, of which the construction period shall be 2 years for the first phase, starting from the date of the PPP Project Agreement and the operation period shall be 28 years. The construction period shall be 1 year for the second phase, starting from the eighth year of the Cooperation Period and the operation period shall be 22 years.

Liaocheng Luxi Management Committee owns the Project Assets and the land use right of the Project, and the Project Company is entitled to use the land of the Project and the Project Assets at nil consideration during the Cooperation Period in accordance with the applicable legal requirements and the PPP Project Agreement. Without the prior written consent of Liaocheng Luxi Management Committee, the Project Company shall not create any encumbrances on the land use right by way of charge, pledge, sale, transfer or otherwise. Upon the expiry of the Cooperation Period, the Project Company shall transfer the Project Assets and other relevant interests relating to the Project to Liaocheng Luxi Management Committee at nil consideration in accordance with the PPP Project Agreement. The Project Company shall ensure that the Project is in good operating condition, well maintained (except normal wear and tear), free from legal disputes and claims, defects, and that the assets and interests transferred are free from any restrictions and encumbrances such as charges and pledges.

(5) Total Investment Amount of the Project and the Financing Obligations of the Consortium

The total investment amount of the Project is estimated to be approximately RMB668,000,000.00 (equivalent to approximately HK\$774,880,000.00), which includes the registered capital of the Project Company and other funds required for the Project. As stated in the section headed “Project Company and Capital Contribution” of this announcement, the registered capital of the Project Company will be RMB220,000,000.00 (equivalent to approximately HK\$255,200,000.00), which will be contributed by the Consortium according to the terms of the PPP Project Agreement.

The difference between the total investment amount and the registered capital will be financed through bank loans and other methods by the Consortium and/or the Project Company. The Consortium and/or the Project Company will be responsible for the financing of all funds required for the Project. The Consortium and/or the Project Company will complete the closing of financing within 180 days from the date of the PPP Project Agreement according to the terms of the PPP Project Agreement and the determined financing plans as well as the requirements of the plans. Liaocheng Luxi Management Committee will provide the necessary assistance to the Consortium and/or the Project Company with regards to the financing, including the provision of approvals, proofs, explanations and relevant documents.

The financing obtained by the Project Company shall only be used in the design, construction, operation and maintenance of the Project. It shall not be used for any purpose other than in connection with the Project. Apart from the purpose of project financing and with the written consent of Liaocheng Luxi Management Committee, the Project Company may not charge or pledge, sale, transfer, lease or otherwise use or create encumbrances in favour of any third party.

(6) Performance Guarantees

The total amount of the performance guarantees to be provided by the Consortium and/or the Project Company in relation to the Project shall be RMB115,000,000.00 (equivalent to approximately HK\$133,400,000.00), the details of which are as follows:

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

The Consortium shall, within 10 working days from the incorporation of the Project Company, submit to Liaocheng Luxi Management Committee a letter of performance guarantee in the sum of RMB50,000,000.00 (equivalent to approximately HK\$58,000,000.00) in relation to the construction, to guarantee its performance of obligations in relation to the construction under the PPP Project Agreement. The aforesaid letter of performance guarantee shall remain effective from the date of the issuance of such guarantee until the date of the submission of the letter of guarantee in relation to the operation and maintenance as set out in paragraph (6)(b) below.

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

The Project Company shall, prior to the commencement of operation date of the Project, submit to Liaocheng Luxi Management Committee a letter of performance guarantee in the sum of RMB15,000,000.00 (equivalent to approximately HK\$17,400,000.00) in relation to the operation and maintenance, to guarantee its performance of obligations in relation to the operation, management and maintenance of the project facilities under the PPP Project Agreement. The aforesaid letter of performance guarantee shall remain effective from the commencement of operation date of the Project until the date of the submission of the letter of performance guarantee in relation to the transfer as set out in paragraph (6)(c) below.

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

The Project Company shall, within 1 month prior to the date of transfer, submit to Liaocheng Luxi Management Committee a letter of performance guarantee in the sum of RMB50,000,000.00 (equivalent to approximately HK\$58,000,000.00) in relation to the transfer, to guarantee its performance of transfer obligations under the PPP Project Agreement. The aforesaid letter of performance guarantee shall remain effective from the date of the transfer of the Project until 12 months after the transfer of the Project.

(7) Governance and Management of the Project Company

It is expected that (a) the Project Company will establish a board of directors and a supervisory board in accordance with the applicable laws and the terms of the shareholders' agreement to be entered into between the Consortium and Shandong Lukai; and (b) the Consortium shall have the right to nominate the majority of the board of directors of the Project Company.

INFORMATION ABOUT THE PROJECT

The Plant and Pipeline Network shall be located in Shen County, Liaocheng City, Shandong Province. It shall provide waste water treatment and ancillary pipeline network services. The Project comprises a waste water treatment plant with a designed daily waste water treatment capacity of 60,000 m³, which will be implemented in two phases, of which the designed daily waste water treatment capacities for the first and second phases are 40,000 m³ and 20,000 m³ respectively. The Project will also construct, *inter alia*, a waste water pipeline network of 24 km, a rainwater pipeline network of 10 km, a reusable water pipeline network of 4 km and a pumping station.

INFORMATION ABOUT THE COMPANY, SHANDONG LUKAI, CHINA RAILWAY ENVIRONMENTAL ENGINEERING AND LIAOCHENG LUXI MANAGEMENT COMMITTEE

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

Shandong Lukai is principally engaged in construction of and investment in public infrastructure, such as urban road network, bridge, pipeline network, green infrastructure, park and town square; real estate development; participation in new urban development, old town transformation as well as operation and investment in primary and secondary market development in those urban development and transformation; participation in balancing between increase and decrease of urban and rural land, new rural construction; participation in operation, sale, leasing and property management of urban state-owned assets; contract construction and supervision of public-sector investment projects; contract construction and supervision of public-sector projects in the nature of public welfare, protection, policy and non-profit; sales of construction materials and undertaking of public-sector mandatory projects.

China Railway Environmental Engineering is principally engaged in municipal building engineering, eco-building engineering, residential building engineering, fire facilities construction engineering, pipeline building engineering, construction and installation, electrical and mechanical engineering, petrochemical engineering, water resources and hydropower engineering, mixed-use property development, technological research and development services for engineering projects, manufacturing of facilities exclusive for environmental protection; pollution control, soil remediation, operation and management of municipal facilities, water supplies facilities and environmental protection facilities, environmental consultation, waste water treatment and its recycling, survey and mapping services; railway materials, metal materials, construction materials, decoration materials, chemical products (exclusive of hazardous items), silicon series products, railway transportation services, warehousing (with the exception of goods restricted by the PRC), cargo handling, commercial concrete, prefabricated concrete structures, hardware and electrical equipment, equipment leasing, residential leasing; accommodation, property management and catering.

Liaocheng Luxi Management Committee is a governmental authority under the People's Government of Shen County.

REASONS FOR AND BENEFITS OF ENTERING INTO THE PPP PROJECT AGREEMENT

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 and public pipeline network. Accordingly, the Project serves to further expand the presence and influence of the Company in Shandong Province and surrounding areas, and provides a good foundation for the Company to secure more waste water treatment and public pipeline network projects 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 PPP Project Agreement are entered into by each party 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 as defined in the SEHK Listing Rules in respect of the transaction exceeds 5% but is less than 25%, the transaction contemplated under the PPP 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
“China Railway Environmental Engineering”	China Railway No.1 Engineering Group Municipal Works Environmental Engineering Co., Ltd. (中鐵一局集團市政環保工程有限公司), a company incorporated in the PRC with limited liability that is an independent third party to the Company
“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 (stock code: U9E) and the Main Board of the SEHK (stock code: 1857)
“connected person(s)”	has the meaning ascribed thereto under the SEHK Listing Rules
“Consortium”	the Company and China Railway Environmental Engineering
“Cooperation Period”	the cooperation period of the Project under the PPP Project Agreement
“Director(s)”	director(s) of the Company
“First Supplementary Agreement”	the first supplementary agreement entered into between the Consortium and Liaocheng Luxi Management Committee on 20 February 2023 in relation to the PPP Project Agreement

“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Liaocheng Luxi Management Committee”	Shandong Liaocheng Luxi Economic Development Zone Management Committee (山東聊城魯西經濟開發區管理委員會), a governmental authority under the People’s Government of Shen County
“Plant and Pipeline Network”	waste water plant (Plant 3) and ancillary pipeline network in Shen County, Liaocheng City, Shandong Province
“PPP”	the public-private partnership
“PPP Project Agreement”	the PPP project agreement entered into between the Consortium and Liaocheng Luxi Management Committee on 20 February 2023 in relation to the Project, as amended and supplemented by the First Supplementary Agreement
“PRC”	the People’s Republic of China
“Project”	PPP project for waste water plant (Plant 3) and ancillary pipeline network in Shen County, Liaocheng City, Shandong Province, details of which are set out in the section headed “Summary” of this announcement
“Project Assets”	all assets related to the Project, including but not limited to: <ul style="list-style-type: none"> (1) all immovable assets, including all buildings and structures of the waste water plant; (2) all moveable properties, including major and auxiliary equipment, spare products, spare parts, tools; (3) intellectual properties owned by the Consortium under the Project; (4) contractual rights under the agreement documents; and (5) documents such as operating and maintenance records and quality assurance plans
“Project Company”	a company to be incorporated in Shen County with limited liability pursuant to the PPP 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
“SGX Listing Manual”	the Listing Manual of SGX-ST
“Shandong Lukai”	Shandong Lukai State-owned Asset Management Operation Co., Ltd (山東魯開國有資產運營有限公司), a company incorporated in the PRC with limited liability, the entire equity interest in which is owned by the State-owned Assets Administration Bureau of Shen County (莘縣國有資產管理局)
“Shen County”	Shen County, Liaocheng City, Shandong Province, the PRC
“Singapore”	the Republic of Singapore
“%”	per cent.

By Order of the Board
China Everbright Water Limited
Kwan Yun Fui
Legal Counsel and Joint Company Secretary

Hong Kong and Singapore, 20 February 2023

In this announcement, the English names of PRC government authorities or entities are translations of their Chinese names and included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.

For the purpose of this announcement and for illustration purpose only, the approximate exchange rate between RMB and HK\$ is 1.00:1.16. 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) three executive Directors, namely Mr. Hu Yanguo (Chairman), Mr. Tao Junjie (Chief Executive Officer) and Mr. Luo Junling; and (ii) four independent non-executive Directors, namely Mr. Zhai Haitao, Mr. Lim Yu Neng Paul, Ms. Cheng Fong Yee and Ms. Hao Gang.