

CHINA EVERBRIGHT WATER LIMITED

(Incorporated in Bermuda with limited liability)

(Company Reg. No.: 34074)

ENTRY INTO SUPPLEMENTARY AGREEMENT IN RELATION TO XIANYANG WASTE WATER TREATMENT PLANT UPGRADING AND ADVANCED SLUDGE DEWATERING PROJECT

1. INTRODUCTION

The board of directors (the “**Board**”) of China Everbright Water Limited (the “**Company**”) is pleased to announce that Everbright Water (Xianyang) Limited* (光大水務(咸陽)有限公司) (formerly known as Xianyang Bai Sheng Shui Purifying Co., Ltd.* (咸陽百晟水淨化有限公司)), a wholly-owned subsidiary of the Company (the “**Project Company**”) has today entered into a supplementary agreement (the “**Supplementary Agreement**”) with Xianyang Water Group Limited* (咸陽水務集團有限公司) (“**Xianyang Water Group**”)¹, in respect of the existing concession agreements entered into between the Project Company and the Xianyang Environment Protection Bureau* (咸陽市環境保護局) (currently known as the Xianyang Ecology and Environment Bureau* (咸陽市生態環境局)) (the “**Environment Bureau**”) relating to the phase I build-operate-transfer (“**BOT**”) project of the Xianyang Waste Water Treatment Plant (the “**Xianyang WWT Plant**”, and the phase I BOT project, the “**Phase I Project**”) and the phase II BOT project of the Xianyang WWT Plant (the “**Phase II Project**”, and together with the Phase I Project, the “**Existing Projects**”), as supplemented from time to time (collectively, the “**Existing Project Agreements**”)². The Supplementary Agreement relates to the upgrading of the Existing Projects and the advanced sludge dewatering project in respect of the Xianyang WWT Plant (the “**Upgrading and Sludge Dewatering Project**”, and together with the Existing Projects, the “**Projects**”).

¹ Xianyang Water Group is an incorporated stated-owned enterprise, as approved and administered by the State-owned Assets Supervision and Administration Commission of Xianyang City (咸陽市國有資產監督管理委員會).

² As at 1 July 2016, the Environment Bureau had transferred all its rights and obligations under the Existing Project Agreements to Xianyang Water Group.

2. BACKGROUND ON THE PROJECTS

The Existing Projects relate to the investment, construction and operation of the Xianyang WWT Plant with an aggregate designed daily municipal waste water treatment capacity of 200,000 m³ based on a BOT model in Xianyang City, Shaanxi Province, the People's Republic of China, pursuant to the terms of the Existing Project Agreements for the Relevant Concession Periods (as defined below). The construction of the Phase I Project and the Phase II Project completed in October 2006 and December 2014, respectively.

Pursuant to the terms of the Supplementary Agreement, the Project Company shall undertake the Upgrading and Sludge Dewatering Project to upgrade the Xianyang WWT Plant (i.e. the Existing Projects). The Upgrading and Sludge Dewatering Project will be implemented based on the BOT model, and involves the following:

- (i) the upgrading of the Xianyang WWT Plant (i.e. the Existing Projects) in accordance with the preliminary plan approved by the Housing and Urban-Rural Development Bureau of Xianyang City* (咸陽市住房和城鄉建設局);
- (ii) ensuring that the waste water to be discharged from the Xianyang WWT Plant (i.e. the Existing Projects) meets the requisite Grade "A" Discharge Standard as set out in the Integrated Waste Water Discharge Standard of Yellow River Basin in Shaanxi Province (陝西省黃河流域污水綜合排放標準); and
- (iii) an advanced sludge dewatering project to reduce the water content of sludge generated by the Xianyang WWT Plant (i.e. the Existing Projects).

The Project Company shall be responsible for the investment, construction and operation of the Upgrading and Sludge Dewatering Project on an exclusive basis during the Relevant Concession Periods subject to the terms and conditions in the Supplementary Agreement.

3. RATIONALE OF THE UPGRADING AND SLUDGE DEWATERING PROJECT

The Upgrading and Sludge Dewatering Project serves to strengthen the presence and influence of the Company in Shaanxi Province and provides a good foundation for further water projects to be undertaken by the Company in Shaanxi Province in the future. From the perspective of the Company, the Upgrading and Sludge Dewatering Project is expected to enhance long-term returns and value for the shareholders of the Company.

4. INVESTMENT AMOUNT

The aggregate investment amount in relation to the Upgrading and Sludge Dewatering Project is estimated to be approximately RMB253,204,400. The actual investment amount will be determined by the relevant government authority based on the audited final account of the Upgrading and Sludge Dewatering Project.

5. CONCESSION RIGHTS

In accordance with the Supplementary Agreement, the concession period of the Upgrading and Sludge Dewatering Project relating to the upgrading of the Phase I Project shall run concurrently with the remaining concession period in respect of the Phase I Project (i.e. up to 28 October 2031), and the concession period of the Upgrading and Sludge Dewatering Project relating to the upgrading of the Phase II Project shall run concurrently with the remaining concession period in respect of the Phase II Project (i.e. up to 15 December 2044), in each case, as stipulated under the Existing Project Agreements (each a “**Relevant Concession Period**” and collectively the “**Relevant Concession Periods**”).

During the Relevant Concession Periods, the facilities under the Projects (including the Upgrading and Sludge Dewatering Project) shall be held by the Project Company. Upon the expiry of the Relevant Concession Period, the Project Company shall transfer the facilities under the Phase I Project or the Phase II Project (as the case may be and including its respective upgrading facilities under the Upgrading and Sludge Dewatering Project) to Xianyang Water Group or such other organisations as may be designated by the governmental authorities at nil consideration.

6. RETURN ON INVESTMENT

Pursuant to the Supplementary Agreement, during the Relevant Concession Periods, the Project Company shall be entitled to a return on its investment by way of the waste water treatment service fees to be paid by Xianyang Water Group to the Project Company (in addition to the waste water treatment service fees stipulated by the Existing Project Agreements) upon the commercial operation date. The waste water treatment service fees shall be calculated based on a specified unit price (subject to specific adjustment mechanisms throughout the Relevant Concession Periods) for each cubic metre of waste water to be treated in connection with the Upgrading and Sludge Dewatering Project.

7. OTHER INFORMATION

Xianyang Water Group is not regarded as an “interested person” of the Company or an associate of “interested person” of the Company under the listing manual of the Singapore Exchange Securities Trading Limited. None of the directors or controlling shareholders of the Company has any interest, direct or indirect, in the Projects (including the Upgrading and Sludge Dewatering Project).

The Existing Project Agreements and the Supplementary Agreement were entered into by the parties on an arm’s length basis and on normal commercial terms and the Projects (including the Upgrading and Sludge Dewatering Project) are of revenue nature and in the ordinary and usual course of business of the Company. To the best of the knowledge, information and belief of the Board having made all reasonable enquiries, Xianyang Water Group is a third party independent of the Company and the connected persons of the Company for the purpose of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

By Order of the Board

CHINA EVERBRIGHT WATER LIMITED

An Xuesong

Executive Director and Chief Executive Officer

Date: 10 May 2021

* *For identification purpose only*