

CHINA EVERBRIGHT WATER LIMITED

Company Registration No.: 34074

(Incorporated in Bermuda)

ENTRY INTO CONCESSION CONTRACT FOR CONSTRUCTION, MAINTENANCE AND OPERATION OF THE ZHANGQIU URBAN-RURAL INTEGRATION WATER SUPPLY PROJECT

1. Introduction

The Board of Directors of China Everbright Water Limited (the “**Company**”) is pleased to announce that the Company has on 30 April 2017 entered into a concession contract (the “**Concession Contract**”) with the Public Utility Bureau of Zhangqiu District, Ji’nan City, Shandong Province, the People’s Republic of China (as authorised by the People’s Government of Zhangqiu District) (the “**Zhangqiu Public Utility Bureau**”) in relation to the Ji’nan Zhangqiu Urban-Rural Integration Water Supply Concession Project (the “**Project**”, details of which are set out in paragraph 2 below).

2. The Project

Pursuant to the Concession Contract, the Project is a concession project for the urban-rural integration water supply in Zhangqiu District, Ji’nan City, to be implemented by the Company and the Zhangqiu Public Utility Bureau, which shall include implementation of a management contract (“**MC**”) sub-project by adopting the MC model, implementation of a Build-Operate-Transfer (“**BOT**”) sub-project by adopting the BOT model and implementation of a Transfer-Operate-Transfer (“**TOT**”) sub-project by adopting the TOT model.

2.1 MC Sub-project

Pursuant to the Concession Contract, the Project Company (details of which are set out in paragraph 6 below) will be established by the Company and an investor representative of the People’s Government of Zhangqiu District in relation to the Project Company (the “**Government Representative**”) to implement a MC sub-project by adopting the MC model. The Project Company will maintain and operate the Water Supply Assets (defined below) and provide the related customer services for a period of not more than two years. For the purposes of this Announcement, the “**Water Supply Assets**” shall include the following:

- (a) Zhangqiu District Tap-Water Corporation (章丘区自来水公司), Zhangqiu District Public Utilities Services Centre (章丘区公用事业服务中心), Zhangqiu District Water Management Services Centre (章丘区水务管理服务中心), Zhangqiu District Xingquan Water Supply Co., Ltd. (章丘区兴泉供水有限责任公司) and Zhangqiu Municipal Public Utilities Installation Co., Ltd. (章丘区市政公用工程安装有限公司) (collectively, the “**Water Supply Entities**”);
- (b) 17 water plants in towns and sub-districts within the Zhangqiu District, Ji’nan City;

- (c) water transfer and replenishment pipeline network and pipelines for the Xinglin Reservoir (杏林水库);
- (d) water transfer and replenishment pipelines for Dazhan Reservoir (大站水库);
and
- (e) the Duo Zhuang Reservoir pipeline network and pipelines.

The above-mentioned Zhangqiu District Tap-Water Corporation, Zhangqiu District Public Utilities Services Centre and Zhangqiu District Water Management Services Centre are collectively-owned enterprises, and will be restructured and converted by the People's Government of Zhangqiu District into companies (the "**Restructuring of Enterprises**"). The Project Company will participate in the Restructuring of Enterprises. Upon completion of the Restructuring of Enterprises, the Government Representative will consolidate the Water Supply Entities and undertake integration of the Water Supply Assets.

2.2 BOT Sub-project

Pursuant to the Concession Contract, the Project Company will implement a BOT sub-project by adopting the BOT model, and will construct and operate new water supply plants and supporting water supply facilities within the administrative areas of the Zhanqiu District, Ji'nan City. The construction work of the BOT sub-project includes a series of:

- (a) construction of reservoirs, water plants and supporting water supply facilities;
- (b) water source expansion;
- (c) water transfer and replenishment projects;
- (d) construction and upgrading of booster pump stations;
- (e) upgrading of water supply facilities in rural areas;
- (f) construction of water transfer and distribution pipeline network;
- (g) renovation of water meters for existing building users; and
- (h) reusable water projects.

2.3 TOT Sub-project

Pursuant to the Concession Contract, following the completion of the MC sub-project, the Project Company will implement a TOT sub-project by adopting the TOT model, operate and maintain the Water Supply Assets, and will be responsible for providing water supply services to the general public and operating and maintaining the infrastructure and supporting facilities of water supply within the administrative areas of the Zhanqiu District, Ji'nan City.

3. Total Investment Amount

The total investment amount of the Project is expected to be approximately RMB3,055,800,000 (equivalent to approximately S\$618,445,285¹), which was determined with reference to a feasibility research report issued by Ji'nan Engineering Consulting Institute in October 2016 as delegated by the People's Government of Zhangqiu District. Such feasibility research report has taken into account various factors, such as the volume of the construction work required, the construction and engineering cost, other related costs and expenses (including land use fees, designing and consultation fees, construction supervision fees, insurance premium, and etc), the estimated value of the Water Supply Assets and the required working capital for the Project, to determine the expected total investment amount mentioned above. The actual total investment amount will be determined by audited final accounts of the Project to be issued by a third-party professional agency duly delegated by the People's Government of Zhangqiu District or its functional authorities or departments or mutually delegated by the People's Government of Zhangqiu District or its functional authorities or departments and the Company. Among such expected total investment amount, approximately RMB1,018,600,000 (equivalent to approximately S\$206,148,428) will be the registered capital of the Project Company to be contributed by the Company and the Government Representative (details of which will be further discussed in paragraph 6 below). The difference between the expected total investment amount and the amount of the registered capital, which will be approximately RMB2,037,200,000 (equivalent to approximately S\$412,296,857), shall be resolved by the Project Company by way of financing. In case that the Project Company is not able to resolve the project financing in full, the Company shall resolve such matter by way of provision of shareholder's loan and guarantees, etc.

4. Concession Rights

In accordance with the Concession Contract, the concession period of the Project shall be 30 years, including the construction period. Upon expiry of the concession period, the Company shall, in accordance with the Concession Contract, transfer the facilities under the Project to the People's Government of Zhangqiu District or its designated institution at nil consideration. Such concession rights are sole and exclusive to the Project Company.

5. Return

Pursuant to the Concession Contract, during the Concession Period, the Project Company will be entitled to a return through the following means:

- (a) in relation to the construction work involved, a return from the People's Government of Zhangqiu District or its functional authorities or departments, to be calculated based on the investment amount in respect of the construction; and
- (b) in relation to the provision of water supply services, a return from the urban and rural residential users and industrial users by way of user fees, which shall be subject to adjustments under certain circumstances, and from the People's Government of Zhangqiu District or its functional authorities or departments by way of viability gap funding.

¹ For the purpose of this Announcement, an exchange rate of S\$1.00 : RMB4.9411 is used for currency translation between S\$ and RMB unless specified otherwise.

6. Project Company

In accordance with the Concession Contract, the Company and the Government Representative shall establish the Project Company, with a registered capital of RMB1,018,600,000 (equivalent to approximately S\$206,148,428), among which, the Company will agree to contribute RMB814,880,000 (equivalent to approximately S\$164,918,743) in cash, representing 80 per cent. of the registered capital of the Project Company, and the Government Representative will agree to contribute RMB203,720,000 (equivalent to approximately S\$41,229,685) by way of transferring equity interest, representing 20 per cent. of the registered capital of the Project Company.

In respect of the registered capital, the Company shall make the first contribution in the amount of RMB200,000,000 (equivalent to approximately S\$40,476,817) within 20 working days from the date of establishment of the Project Company to the account of the Project Company. The remaining contribution by the Company shall be made to the account of the Project Company at the same period with the contribution to be made by the Government Representative. The contribution to be made by the Government Representative shall be completed after the Restructuring of Enterprises.

The business scope of the Project Company shall be limited to investment, financing, construction, operation and maintenance of the Project, repair and maintenance during the warranty period, etc. The Project Company shall distribute the profits to its shareholders according to their shareholdings.

The board of directors of the Project Company will comprise five directors, among which, three directors will be nominated by the Company and two directors will be nominated by the Government Representative, and the chairman of the board of directors shall be nominated by the Company. The general manager of the Project Company shall be nominated by the chairman of the board of directors from persons designated by the Government Representative.

The board of supervisors of the Project Company will comprise three supervisors, among which, a supervisor will be nominated by the Company, a supervisor will be nominated by the Government Representative, and a supervisor will be the employee-representative supervisor.

7. Conditions Precedent

After the Concession Contract comes into effect, the parties shall satisfy the following conditions precedent in order to implement the Project:

- (a) all approvals and confirmations in relation to the implementation of the Project having been obtained from the relevant regulatory authority(ies);
- (b) the Project Company having been established in accordance with the applicable laws and the Concession Contract, and the relevant procedures having been completed;

- (c) the Company having made contribution to the registered capital in accordance with the agreement and articles of association of the Project Company;
- (d) the Zhangqiu Public Utility Bureau having signed a supplemental agreement with the Project Company, pursuant to which, the Project Company shall inherit all the rights and obligations which shall have been performed by the Company under the Concession Contract; and
- (e) the Company having signed the relevant financing documents for the purpose of the Project's financing and having provided the same to the lending party(ies), and the conditions precedent therein in relation to obtaining the fund having been satisfied or waived.

If any of the above conditions precedent is not satisfied within the prescribed time, and the other party does not agree to waive such conditions precedent or extend the deadline, such other party is entitled to terminate the Concession Contract.

8. Letters of Guarantee

8.1 Letter of Guarantee in relation to Construction

The Company shall, within seven working days after the effective date of the Concession Contract, provide the Zhangqiu Public Utility Bureau with a letter of guarantee in relation to construction to be issued by a financial institution of mainland China, in which the Zhangqiu Public Utility Bureau will be the beneficiary, in the amount of RMB50,000,000 (equivalent to approximately S\$10,119,204) to guarantee performance of the obligations of the Project Company during the construction period of the Project. The amount of guarantee in relation to construction should be maintained in full during the validity period of the Concession Contract.

8.2 Letter of Guarantee in relation to Operation and Maintenance

The Company shall, within the first month of each year during the operation period, provide the Zhangqiu Public Utility Bureau with a letter of guarantee in relation to operation and maintenance to be issued by a financial institution of mainland China, in which the Zhangqiu Public Utility Bureau will be the beneficiary, in the amount of RMB50,000,000 (equivalent to approximately S\$10,119,204) to guarantee performance of the obligations of the Project Company during the operation period of the Project. Each of the letters of guarantee in relation to operation and maintenance will be valid for 12 months. The amount of guarantee in relation to operation and maintenance should be maintained in full until the tenth working day after the date of transfer of the Project.

8.3 Letter of Guarantee in relation to Transfer and Repair

The Company shall, prior to the end of the concession period, provide the Zhangqiu Public Utility Bureau with a letter of guarantee in relation to transfer and repair to be issued by a financial institution of mainland China, in which the Zhangqiu Public Utility Bureau will be the beneficiary, in the amount of RMB50,000,000 (equivalent to

approximately S\$10,119,204) to guarantee performance of the transfer and repair obligation of the Project Company under the Project. The amount of guarantee in relation to transfer and repair should be maintained in full until the expiry of 12 months after the date of transfer of the Project by the Project Company.

9. Rationale

The Project is a new concession project obtained by the Company within its scope of principal business of integrated environmental water services, which can assist the Company in expansion of market share and in increasing its revenue and profit. The obtaining of the Project will be of great significance to the Company in entering into the regional market, increasing the influence in the region and expanding its overall scale. The Project is expected to enhance long-term returns and value for the shareholders of the Company.

The terms of the Concession Contract were determined after arm's length negotiations among the parties thereto.

10. Other Information

The Zhangqiu Public Utility Bureau is mainly responsible for the planning, construction and management of the public utilities in Zhangqiu District, Ji'nan City, including water supply, gas supply, centralized heating service, and waste water treatment. The Zhangqiu Public Utility Bureau is not regarded as an "interested person" of the Company or an associate of "interested persons" of the Company under the listing manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST Listing Manual**"). None of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Project.

By Order of the Board

CHINA EVERBRIGHT WATER LIMITED

An Xuesong

Executive Director and Chief Executive Officer

Date: 30 April 2017