

**ENTRY INTO LAIYANG ECONOMIC DEVELOPMENT ZONE INTEGRATED WATER
ENVIRONMENT MANAGEMENT PUBLIC-PRIVATE PARTNERSHIP PROJECT**

1. Introduction

The Board of Directors of China Everbright Water Limited (the “**Company**”) is pleased to announce that the Company has today entered into the following agreements relating to the Laiyang Economic Development Zone Integrated Water Environment Management Public-Private Partnership (“**PPP**”) Project (the “**Project**”), details of which are set out in paragraph 2 below:

- (i) the project agreement (the “**Water Environment Management Agreement**”) with the Laiyang Economic Development Zone Management Committee (莱阳经济开发区管理委员会) (the “**Laiyang Management Committee**”), as authorised by the People’s Government of the City of Laiyang (the “**Laiyang Government**”), relating to the water environment management sub-project of the Project (the “**Water Environment Management Sub-Project**”); and
- (ii) the project agreement (the “**Waste Water Treatment Agreement**”) with the Laiyang Management Committee, as authorised by the Laiyang Government, relating to the waste water treatment sub-project of the Project (the “**Waste Water Treatment Sub-Project**”),

(such agreements, the “**Project Agreements**”).

2. Background of the Project

The Project comprises the Water Environment Management Sub-Project and the Waste Water Treatment Sub-Project, both of which will be undertaken based on a Build-Operate-Transfer model by the Project Company (as defined below and details of which are set out in paragraph 5 below) in Laiyang City, Shandong Province, the People’s Republic of China, pursuant to the Project Agreements.

The Water Environment Management Sub-Project consists of (a) river regulation works, river interception engineering works, river dredging works, maintenance of dams, water quality improvement works and usable water replenishment works, to be undertaken in relation to the Qixing River and its tributaries, (b) the construction of a pipeline network for the purposes of waste water collection in the western parts of the Laiyang Economic Development Zone and (c) the construction and overhaul of the network of “sponge-type” roads, in accordance with the terms of the Water Environment Management Agreement.

Separately, the Waste Water Treatment Sub-Project consists of the construction and operation of a waste water treatment plant with a daily treatment capacity of 15,000 cubic

metres (the “**Laiyang Waste Water Plant**”) in Laiyang City, in accordance with the terms of the Waste Water Treatment Agreement. The Laiyang Waste Water Plant may be further expanded in phases such that it will have an aggregate daily treatment capacity of up to 60,000 cubic metres in the future, and such expansion will be carried out on terms to be agreed between the parties.

The Project Company shall be responsible for the investment, construction and operation of the Projects on an exclusive basis during the Concession Period (as defined below).

3. Rationale of the Project

The Project serves to expand the presence and influence of the Company in Shandong Province and provides a good foundation for further water projects to be undertaken by the Company in Shandong Province in the future. The Project is expected to enhance long-term returns and value for the shareholders of the Company.

4. Investment Amount

The aggregate investment amount (the “**Investment Amount**”) of the Project is expected to be approximately RMB484,347,900, as follows:

- (i) in respect of the Water Environment Management Sub-Project, the investment amount shall be approximately RMB371,300,000; and
- (ii) in respect of the Waste Water Treatment Sub-Project, the investment amount shall be approximately RMB113,047,900.

5. Project Company

Pursuant to the Project Agreements, a project company (the “**Project Company**”) shall be incorporated in the People’s Republic of China with a registered capital of not less than 35 per cent. of the Investment Amount (being RMB484,347,900 in amount) with the following shareholding breakdown:

- (i) the Company shall hold a 90 per cent. equity stake in the Project Company and shall contribute such amount to the capital of the Company which represents 90 per cent. of the registered capital of the Project Company; and
- (ii) Laiyang Rui Bao Te Engineering Construction Co., Ltd. (莱阳瑞宝特建设工程有限公司) or such other entity as may be designated by the Laiyang Government (the “**Government Representative**”), as an investor representative of the Laiyang Government, shall hold the remaining 10 per cent. equity stake in the Project Company, and shall contribute such amount to the capital of the Company which represents 10 per cent. of the registered capital of the Project Company.

Pursuant to the Project Agreements, the Project Company shall, following its incorporation, become a party to each Project Agreement.

6. Concession Rights

In accordance with the Project Agreements, the concession period of each of the Water Environment Management Sub-Project and the Waste Water Treatment Sub-Project shall be for a period of 20 years (each such concession period, the “**Concession Period**”), consisting of a construction period and an operational period (the “**Operation Period**”).

During the Concession Period, the facilities under the Projects shall be held by the Project Company. Upon expiry of each Concession Period, the Project Company shall transfer the facilities under the Water Environment Management Sub-Project or the Waste Water Treatment Sub-Project (as the case may be) to the Laiyang Management Committee or such other organisation as may be designated by the Laiyang Management Committee at nil consideration.

7. Return on Investment

Pursuant to the Project Agreements, during each Concession Period, the Project Company shall be entitled to a return on its investment by way of the following:

- (i) in respect of the Water Environment Management Sub-Project, performance fees to be paid by the Laiyang Management Committee to the Project Company during the Operation Period, consisting of (a) an availability performance fee and (b) an operation and maintenance performance fee, in each case, as calculated based on a specific formula stipulated in the Water Environment Management Agreement; and
- (ii) in respect of the Waste Water Treatment Sub-Project, waste water treatment fees to be paid by the Laiyang Management Committee to the Project Company during the Operation Period, calculated based on a specific unit price for each cubic metre of waste water to be treated by the Laiyang Waste Water Plant as stipulated in the Waste Water Treatment Agreement.

The amount of the operation and maintenance performance fees to be paid to the Project Company in respect of the Water Environment Management Sub-Project and the amount of the waste water treatment fees to be paid to the Project Company in respect of the Waste Water Treatment Sub-Project shall be subject to review and adjustment in accordance with the terms and formulae specified in the Project Agreements.

8. Other Information

The Laiyang Management Committee, the Laiyang Government and the Government Representative are not regarded as “interested persons” of the Company or associates of “interested persons” 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 Project.

By Order of the Board

CHINA EVERBRIGHT WATER LIMITED

An Xuesong

Executive Director and Chief Executive Officer

Date: 5 November 2018