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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)

CONTINUING CONNECTED TRANSACTIONS

The Board is pleased to announce that on 22 December 2021, Everbright Water Shenzhen (an indirect wholly-owned subsidiary of the Company) and Sun Life Everbright entered into the Employee Healthcare Protection Services Agreement. Pursuant to the Employee Healthcare Protection Services Agreement, Sun Life Everbright will provide Employee Healthcare Protection Services for the years 2021 and 2022 to Everbright Water Shenzhen, which shall include (1) management and operation of the EHP Scheme; and (2) provision of insurance services and products for the EMI Scheme.

As at the date of this announcement, China Everbright Group is the controlling shareholder of Everbright Environment, the controlling shareholder of the Company, and is indirectly interested in approximately 72.87% equity interest in the Company. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, China Everbright Group holds 50% equity interest in Sun Life Everbright. Therefore, Sun Life Everbright is an associate of China Everbright Group, and is a connected person of the Company under Chapter 14A of the SEHK Listing Rules. Accordingly, the transactions contemplated under the Employee Healthcare Protection Services Agreement constitute continuing connected transactions of the Company.

As the highest applicable percentage ratio of the continuing connected transactions contemplated under the Employee Healthcare Protection Services Agreement is more than 0.1% but less than 5%, the continuing connected transactions contemplated under the Employee Healthcare Protection Services Agreement will be subject to reporting, announcement and the annual review requirements but are exempt from the circular and Independent Shareholders' approval requirements as set out in Chapter 14A of the SEHK Listing Rules.

The entry into, and the transactions contemplated under, the Employee Healthcare Protection Services Agreement fall under the scope of activities set out under the Company's IPT Mandate, which was renewed with the approval of the Shareholders at the annual general meeting of the Company held on 27 April 2021.

I. INTRODUCTION

The Board is pleased to announce that on 22 December 2021, Everbright Water Shenzhen (an indirect wholly-owned subsidiary of the Company) and Sun Life Everbright entered into the Employee Healthcare Protection Services Agreement. Pursuant to the Employee Healthcare Protection Services Agreement, Sun Life Everbright will provide Employee Healthcare Protection Services for the years 2021 and 2022 to Everbright Water Shenzhen, which shall include (1) management and operation of the EHP Scheme; and (2) provision of insurance services and products for the EMI Scheme.

II. THE EMPLOYEE HEALTHCARE PROTECTION SERVICES AGREEMENT

The principal terms of the Employee Healthcare Protection Services Agreement are as follows:

Date	22 December 2021
Parties	(i) Sun Life Everbright; and (ii) Everbright Water Shenzhen.
Establishment of the EHP Scheme and EMI Scheme	To establish the EHP Scheme and the EMI Scheme for the Designated Employees, with the aim to provide such Designated Employees with supplementary medical protection and healthcare protection, to refine the labour protection system, and to alleviate the burden of medical and healthcare related expenses of staff.

Scope of Services

Sun Life Everbright shall provide the Employee Healthcare Protection Services to Everbright Water Shenzhen, which shall include:

(i) In respect of the EHP Scheme:

Sun Life Everbright shall be responsible for the management and operation of the EHP Scheme. The fund of the EHP Scheme comprises the scheme principal to be delivered by Everbright Water Shenzhen to Sun Life Everbright and the accrued interest.

Sun Life Everbright has established a unified healthcare protection entrusted management fund account used for reimbursement of daily medical-related expenses, sickness protection payments and health management services of the Designated Employees.

Everbright Water Shenzhen shall provide a list of Designated Employees covered by the EHP Scheme to Sun Life Everbright.

(ii) In respect of the EMI Scheme:

As required by Everbright Water Shenzhen (as the policyholder), Sun Life Everbright (as the insurer) shall provide to the Designated Employees (as the insured and beneficiary) long-term medical insurance services, including mild disease supplementary medical insurance, critical disease supplementary medical insurance, hospitalisation medical fee supplementary insurance protections, etc.

Everbright Water Shenzhen shall provide a list of Designated Employees covered by the EMI Scheme to Sun Life Everbright.

Term	Insurance coverage is for the years 2021 and 2022
Fees	<p>(i) In respect of the EHP Scheme, the management fee is 5‰ of the scheme principal, based on the scheme principal paid by Everbright Water Shenzhen for the EHP Scheme each time. The management fee is a one-off fee, and no subsequent fees shall be charged in respect of such funds.</p> <p>(ii) In respect of the EMI Scheme, insurance fees are paid in accordance with different premium rates of various long-term medical insurance products as provided by Sun Life Everbright.</p>
Payment method	The principal and the management fee in respect of the EHP Scheme and the insurance fees of the EMI Scheme shall be paid by Everbright Water Shenzhen. The Designated Employees will not be required to make any contributions.

III. HISTORICAL FIGURES AND PROPOSED ANNUAL CAPS

The following table sets out the one-year medical insurance fees incurred under the insurance contracts between the Group and Sun Life Everbright for the year ended 31 December 2019, for the year ended 31 December 2020 and for the nine months ended 30 September 2021. For the purpose of illustration, the below figures are based on the relevant prevailing exchange rates for the corresponding financial periods.

	For the year ended 31 December 2019	For the year ended 31 December 2020	For the nine months ended 30 September 2021
Medical insurance fees	RMB1,433,472 (equivalent to approximately HK\$1,626,561)	RMB1,475,265 (equivalent to approximately HK\$1,658,641)	RMB1,192,358 (equivalent to approximately HK\$1,429,756)

The following table sets out the proposed annual caps of the continuing connected transactions contemplated by the Group and Sun Life Everbright (which shall include (i) the maximum principal to be deposited under the EHP Scheme and the relevant management fee; (ii) the insurance fees under the EMI Scheme; and (iii) the recurring one-year medical insurance fee under the Employee Healthcare Protection Services Agreement). For the purpose of illustration, the exchange rate for the below proposed annual caps is RMB1.00 = HK\$1.20.

	For the year ended 31 December 2021	For the year ending 31 December 2022
Proposed annual caps	RMB16,000,000 (equivalent to approximately HK\$19,200,000)	RMB20,000,000 (equivalent to approximately HK\$24,000,000)

Basis for the Annual Caps

The Directors (including the independent non-executive Directors) consider that it is in the interests of the Group and the Shareholders as a whole to enter into the transactions with Sun Life Everbright under the terms and conditions set out in the Employee Healthcare Protection Services Agreement. The Directors have determined the proposed annual caps for the Employee Healthcare Protection Services Agreement with reference to a number of factors, including (i) the recurring one-year medical insurance fee paid by Everbright Water Shenzhen; (ii) the current number and the expected increase of Designated Employees; and (iii) various insurance products and services to be provided by Sun Life Everbright and their respective coverage.

IV. INTERNAL CONTROL MEASURES

In order to protect the interests of the Shareholders, the Company will adopt the following internal control procedures in relation to the Employee Healthcare Protection Services Agreement:

- (i) the Company will comply with its internal control procedures in respect of related party transactions before the Company makes contributions under the EHP Scheme or enters into any underlying transactions under the Employee Healthcare Protection Services Agreement with Sun Life Everbright;

- (ii) the Group shall compare and obtain quotations from the insurance industry and from at least two other independent insurers for quotations of similar insurance products and services for an equivalent number of Designated Employees, and for the equivalent period, and will use the Employee Healthcare Protection Services of Sun Life Everbright only if the terms quoted by Sun Life Everbright are equivalent to or no less favourable than the price and terms quoted by such two other independent insurers;
- (iii) the pricing terms and annual caps of the transactions contemplated under the Employee Healthcare Protection Services Agreement will be reviewed annually by the independent non-executive Directors and independent auditor of the Company;
- (iv) the Group will also monitor the implementation of the Employee Healthcare Protection Services Agreement on a regular basis, and report regularly to the Board and management of the Group; and
- (v) the Group strictly monitors the continuing connected transactions under the Employee Healthcare Protection Services Agreement for not exceeding the annual caps.

The Board considers that the above internal control procedures adopted by the Company in connection with the continuing connected transactions with Sun Life Everbright are appropriate and sufficient, and will give sufficient assurance that the continuing connected transactions will be appropriately monitored by the Company.

V. REASONS FOR AND BENEFITS OF THE EMPLOYEE HEALTH PROTECTION SERVICES AGREEMENT

The key to corporate development is talent, and the core of implementing talent strategies is people. The Company treasures the health and safety of employees. Apart from participating in social insurance programs as required, the Company also takes part in the medical insurance and healthcare protection scheme, to further improve the sense of belonging of the employees and to refine the medical and healthcare protection system.

The approach of procurement of medical insurance service and healthcare protection fund is invited tender. The Company had organised a tender for selecting among CITIC-Prudential Life Insurance Company Limited, Sun Life Everbright and PICC Life Insurance Company Limited, considering various factors such as the scope of protection and rates of insurance, and the scope of healthcare protection fund services, and Sun Life Everbright was the first choice. Accordingly, Everbright Water Shenzhen entered into the Employee Healthcare Protection Services Agreement with Sun Life Everbright.

In light of the above, the Board (including the independent non-executive Directors) is of the view that the Employee Healthcare Protection Services Agreement is determined after arm's length negotiations between the parties, conducted on normal commercial terms and in the ordinary and usual course of business of the Group, the terms and the proposed annual caps thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

VI. IMPLICATIONS UNDER THE SEHK LISTING RULES

As at the date of this announcement, China Everbright Group is the controlling shareholder of Everbright Environment, the controlling shareholder of the Company, and is indirectly interested in approximately 72.87% equity interest in the Company. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, China Everbright Group holds 50% equity interest in Sun Life Everbright. Therefore, Sun Life Everbright is an associate of China Everbright Group, and is a connected person of the Company under Chapter 14A of the SEHK Listing Rules. Accordingly, the transactions contemplated under the Employee Healthcare Protection Services Agreement constitute continuing connected transactions of the Company.

As the highest applicable percentage ratio of the continuing connected transactions contemplated under the Employee Healthcare Protection Services Agreement is more than 0.1% but less than 5%, the continuing connected transactions contemplated under the Employee Healthcare Protection Services Agreement will be subject to the reporting, announcement and annual review requirements but are exempt from the circular and Independent Shareholders' approval requirements as set out in Chapter 14A of the SEHK Listing Rules.

None of the Directors has any material interests in the Employee Healthcare Protection Services Agreement, or is required to abstain from voting on the resolutions in respect of such transactions.

VII. IMPLICATIONS UNDER THE SGX-ST LISTING MANUAL

The entry into, and the transactions contemplated under, the Employee Healthcare Protection Services Agreement fall under the scope of activities set out under the Company's IPT Mandate, which was renewed with the approval of the Shareholders at the annual general meeting of the Company held on 27 April 2021.

VIII. INFORMATION OF THE PARTIES

The Group

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.

Everbright Water Shenzhen, a company incorporated under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company, is principally engaged in the investment and management of water business.

Sun Life Everbright

Sun Life Everbright, which is held as to 50% by China Everbright Group, is a company incorporated under the laws of the PRC with limited liability and is principally engaged in general insurance business and related reinsurance business.

IX. DEFINITIONS

In this announcement, unless otherwise defined, the following terms shall have the following meanings:

“associate”	has the meaning ascribed to it under the SEHK Listing Rules
“Board”	the board of Directors
“China Everbright Group”	China Everbright Group Ltd.* (中國光大集團股份公司), a joint stock company incorporated under the laws of the PRC, an indirect controlling shareholder of 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”	has the meaning ascribed to it under the SEHK Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the SEHK Listing Rules
“Designated Employees”	the employees (and their respective family members) designated by Everbright Water Shenzhen
“Director(s)”	the director(s) of the Company
“EHP Scheme”	the Healthcare Protection Entrusted Management Scheme (健康保障委託管理計劃) established by Everbright Water Shenzhen for the Designated Employees
“EMI Scheme”	the Long-term Supplemental Medical Insurance Protection Scheme (長期補充醫療保險保障計劃) established by Everbright Water Shenzhen for the Designated Employees

“Employee Healthcare Protection Services”	the Employee Healthcare Protection Services for the years 2021 and 2022 to be provided by Sun Life Everbright to Everbright Water Shenzhen pursuant to the Employee Healthcare Protection Services Agreement, including (1) management and operation of the EHP Scheme and (2) providing insurance services and products for the EMI Scheme
“Employee Healthcare Protection Services Agreement”	the employee healthcare protection services agreement dated 22 December 2021 entered into between Sun Life Everbright and Everbright Shenzhen in relation to the provision of Employee Healthcare Protection Services by Sun Life Everbright to Everbright Shenzhen
“Everbright Environment”	China Everbright Environment Group Limited (中國光大環境(集團)有限公司), a company incorporated under the laws of Hong Kong with limited liability, and a public company whose shares are listed on the Main Board of the SEHK (stock code: 257), a controlling shareholder of the Company
“Everbright Water Shenzhen”	Everbright Water (Shenzhen) Limited (光大水務(深圳)有限公司), a company incorporated under the laws of the PRC with limited liability, an indirectly wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	shareholders of the Company (except China Everbright Group and its associates)
“IPT Mandate”	the general mandate pursuant to Chapter 9 of the SGX-ST Listing Manual
“PRC”	the People’s Republic of China

“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 the SEHK
“SGX-ST”	the Singapore Exchange Securities Trading Limited
“SGX-ST Listing Manual”	the listing manual of the SGX-ST
“Shareholders”	shareholders of the Company
“Singapore”	the Republic of Singapore
“Sun Life Everbright”	Sun Life Everbright Life Insurance Co., Ltd. (光大永明人壽保險有限公司), a company incorporated under the laws of the PRC with limited liability
“%”	per cent
“‰”	per mille

By Order of the Board
China Everbright Water Limited
Peng Pei
Legal Counsel and Joint Company Secretary

Hong Kong and Singapore, 22 December 2021

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.