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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  
ENTERING INTO THE PPP PROJECT AGREEMENT  
IN RELATION TO  
THE WASTE WATER TREATMENT (PLANT 4) IN  
ZHANGQIU DISTRICT, JI'NAN CITY**

**SUMMARY**

The Board is pleased to announce that, on 26 April 2020, the Company, Sichuan Lutong and Zhangqiu Water Bureau entered into the PPP Project Agreement, pursuant to which, the Consortium will incorporate the Project Company. The total investment amount of the Project is estimated to be approximately RMB212,987,800 (equivalent to approximately HK\$234,073,592), which includes the registered capital of the Project Company in the amount of RMB85,200,000 (equivalent to approximately HK\$93,634,800). The Company will contribute RMB84,348,000 (equivalent to approximately HK\$92,698,452) to the Project Company, as part of its registered capital. Upon the completion of capital contribution, the Company and Sichuan Lutong shall hold 99% and 1% equity interest in the Project Company, respectively.

Zhangqiu Water Bureau will grant the concession right of the Project to the Project Company for the investment in, financing, construction, operation and maintenance of the Plant, the provision of waste water treatment services and the receipt of waste water treatment service fees. The total designed daily waste water treatment capacity of the Project is 50,000 m<sup>3</sup>, while the designed daily reusable water supply capacity is 30,000 m<sup>3</sup>. During the Concession Period, the Project Company is entitled to use the assets of the Project, operate and maintain the Project and receive the waste water treatment service fees.

#### **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 26 April 2020, the Company, Sichuan Lutong and Zhangqiu Water Bureau entered into the PPP Project Agreement, pursuant to which, the Consortium will incorporate the Project Company. The total investment amount of the Project is estimated to be approximately RMB212,987,800 (equivalent to approximately HK\$234,073,592), which includes the registered capital of the Project Company in the amount of RMB85,200,000 (equivalent to approximately HK\$93,634,800). The Company will contribute RMB84,348,000 (equivalent to approximately HK\$92,698,452) to the Project Company, as part of its registered capital. Upon the completion of capital contribution, the Company and Sichuan Lutong shall hold 99% and 1% equity interest in the Project Company, respectively.

Zhangqiu Water Bureau will grant the concession right of the Project to the Project Company for the investment in, financing, construction, operation and maintenance of the Plant, the provision of waste water treatment services and the receipt of waste water treatment service fees. The total designed daily waste water treatment capacity of the Project is 50,000 m<sup>3</sup>, while the designed daily reusable water supply capacity is 30,000 m<sup>3</sup>, with a total land area of approximately 62.56 mu (equivalent to approximately 10.31 acres). During the Concession Period, the Project Company is entitled to use the assets of the Project, operate and maintain the Project and receive the waste water treatment service fees.

Sichuan Lutong and Zhangqiu Water Bureau are not regarded as "interested persons" of the Company or associates of "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 Sichuan Lutong and its ultimate beneficial owners and Zhangqiu Water Bureau is an independent third party independent of the Company and the connected person(s) of the Company. Sichuan Lutong is wholly owned by Ji'nan Sijian Construction Group Co., Ltd. (濟南四建(集團)有限責任公司), which is in turn owned as to 63.76% by the State-owned Assets Supervision and Administration Commission of the People's Government of Ji'nan City (濟南市人民政府國有資產監督管理委員會) and 36.24% by the Trade Union Committee of Ji'nan Sijian Construction Group Co., Ltd. (濟南四建(集團)有限責任公司工會委員會), respectively.

## **THE PPP PROJECT AGREEMENT**

### **(1) Date**

26 April 2020

### **(2) Parties**

- (a) the Company;
- (b) Sichuan Lutong; and
- (c) Zhangqiu Water Bureau.

### **(3) Project Company and Capital Contribution**

The Project Company is principally engaged in the investment and financing, construction, operation and maintenance of the Project, the provision of waste water treatment services and the receipt of waste water treatment service fees. The Consortium shall incorporate the Project Company in Zhangqiu District, Ji'nan City and obtain the business license within 30 days from the signing of the PPP Project Agreement, and, together with the Project Company, enter into a supplemental agreement with Zhangqiu Water Bureau within 30 days from the incorporation of the Project Company to novate the PPP Project Agreement to the Project Company.

Pursuant to the PPP Project Agreement, the total investment amount to be contributed by the Consortium in the Project is estimated to be approximately RMB212,987,800 (equivalent to approximately HK\$234,073,592) (including the registered capital of the Project Company).

The registered capital of the Project Company will be RMB85,200,000 (equivalent to approximately HK\$93,634,800), of which:

- (i) the Company will contribute RMB84,348,000 (equivalent to approximately HK\$92,698,452) in cash, representing 99% of the registered capital of the Project Company; and

- (ii) Sichuan Lutong will contribute RMB852,000 (equivalent to approximately HK\$936,348) in cash, representing 1% of the registered capital of the Project Company.

The aforementioned registered capital will be contributed by two installments (RMB42,600,000 each) within 30 days and 90 days from the incorporation of the Project Company, respectively. Upon the completion of capital contribution, the Company and Sichuan Lutong shall hold 99% 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 the internal resources of the Company and/or external financing.

## **THE PROJECT**

### **(1) Scope of Business of the Project Company**

The Project will be undertaken by the Project Company based on a Build-Operate-Transfer model in Ji'nan City, which will involve the investment in, financing, construction, operation and maintenance of the Plant, primarily including:

- (i) the investment in, financing and construction of the Plant and auxiliary pipelines and ensuring the timely completion and acceptance of the Plant; and
- (ii) the operation and maintenance of the Plant, provision of waste water treatment services and receipt of waste water treatment service fees in accordance with the PPP Project Agreement.

The scope of business of the Project Company shall not exceed what was agreed under the PPP Project Agreement, details of which shall be subject to business registration.

### **(2) Concession Period and Concession Right**

The Concession Period shall be for a period of approximately 30 years, including a construction period of approximately 1 year and an operation period of 29 years (starting from the date of commercial operation of the Project). On or before 31 December 2020, the construction of the Project shall be completed or the discharged water shall have complied with the discharge standard prescribed under the PPP Project Agreement for 7 consecutive days.

During the Concession Period, Zhangqiu Water Bureau is entitled to use the land and own the fixed assets (including fixtures on the land, facilities and equipment), intangible assets and replacement assets arising from the expansion, repair and replacement as required under the PPP Project Agreement. During the Concession Period, the Project Company is entitled to use the assets of the Project, operate and maintain the Project and receive the waste water treatment service fees. Upon the expiry of the Concession Period, the Project Company shall, according to the transfer procedures prescribed under the PPP Project Agreement, ensure that the facilities and equipment of the Project are in good condition for operation and are free from any claims and encumbrances, and the Project Company shall transfer the assets, concession right and other relevant rights of the Project to Zhangqiu Water Bureau or such other organisation designated by Zhangqiu Water Bureau at nil consideration.

**(3) The 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 RMB212,987,800 (equivalent to approximately HK\$234,073,592), which includes the registered capital of the Project Company. The registered capital of the Project Company will be RMB85,200,000 (equivalent to approximately HK\$93,634,800), which will be contributed by the Consortium according to the terms and conditions under the PPP Project Agreement. The investment amount required for the Project other than the registered capital of the Project Company shall be raised by the Project Company by way of bank loans, shareholder loans or funds. In the event that the Project Company fails to obtain such financial resources to make investment within the prescribed period under the PPP Project Agreement, the Consortium shall be obligated to raise the relevant funds. In the event of situations such as plan adjustment, land cost overrun, change in actual scope, material change in plan and force majeure in relation to the Project which are not within the responsibility of the Consortium and the Project Company, the total investment amount of the Project shall be adjusted to an amount not exceeding RMB234,286,500 (equivalent to approximately HK\$257,480,863).

The financing funding received by the Project Company (including but not limited to commercial credit) shall only be used in the construction, operation and maintenance of the Project. It shall not be used for any purpose other than in connection with the Project. For the purpose of project financing, the Project Company may pledge the right to receive receivables of the Project without prejudice to the legal rights already obtained by Zhangqiu Water Bureau and without violating the laws and regulations of the PRC.

If the financing agreement to be entered into by the Consortium, the Project Company and the financing institution includes any terms of intervention by the financing party, Zhangqiu Water Bureau shall be notified and the execution of the financing agreement shall be subject to the approval of Zhangqiu Water Bureau. The Project Company shall not provide guarantee to any external party, including the provision of any form of guarantee for its shareholders' debt, and/or undertaking of its shareholders' debt.

#### **(4) Conditions Precedent**

The conditions precedent (among other things) which shall be fulfilled before the commencement of the construction of the Project are as follows:

*(1) Conditions Precedent to be fulfilled by Zhangqiu Water Bureau:*

- (a) Zhangqiu Water Bureau shall grant to the Consortium and the Project Company the right of investment in, financing, construction, operation, maintenance and transfer of the Project within the Concession Period;
- (b) the Project shall be included in the project management database of Public-Private Partnership (PPP) integrated information platform of the Ministry of Finance of the PRC; and
- (c) Zhangqiu Water Bureau shall assist the Project Company in the approval procedures, such as obtaining the construction license.

*(2) Conditions Precedent to be fulfilled by the Consortium and the Project Company:*

- (a) upon the incorporation of the Project Company, the Consortium and the Project Company shall, with the assistance of Zhangqiu Water Bureau, complete the relevant approval procedures to fulfill the conditions of the construction of the Project;
- (b) the Project Company shall obtain the necessary financing for the Project within 120 days from the incorporation of the Project Company or within 30 days from the Project's obtainment of compliance materials required for financing (whichever is earlier), and submit the originals and photocopies of relevant materials to Zhangqiu Water Bureau for examination and filing, respectively, within 5 Business Days from the completion of such project financing; if financing is not needed for the Project, the Project Company shall issue an undertaking of capital contribution to Zhangqiu Water Bureau according to the construction progress;
- (c) pursuant to the provisions of the PPP Project Agreement, the Project Company shall have purchased an insurance, which shall have come into effect, and shall have submitted the photocopies of relevant materials to Zhangqiu Water Bureau for filing;

- (d) pursuant to the provisions of the PPP Project Agreement, the Project Company shall have entered into the “Building Construction Agreement” and other main subcontracting agreements (which shall be valid and shall have been reviewed and approved by Zhangqiu Water Bureau) with the Consortium, and shall have submitted the photocopies of relevant agreements to Zhangqiu Water Bureau for filing; and
- (e) pursuant to the provisions of the PPP Project Agreement, the Consortium shall have submitted a letter of performance guarantee in relation to the construction period in the amount of RMB21,000,000.

If the Consortium and the Project Company fail to fulfill any of the conditions precedent within the required period (unless such conditions precedent have been waived or their fulfillment deadlines have been extended by Zhangqiu Water Bureau), Zhangqiu Water Bureau may terminate the PPP Project Agreement in advance and (among other things) enforce the letter of performance guarantee in relation to the construction period under the PPP Project Agreement. If Zhangqiu Water Bureau fails to fulfill any of the conditions precedent within the required period (unless such conditions precedent have been waived or their fulfillment deadlines have been extended by the Consortium and the Project Company), the Consortium and the Project Company may terminate the PPP Project Agreement in advance.

Upon the termination of the PPP Project Agreement and provided that such termination is due to the failure of one party to fulfill the relevant conditions precedent within the required period, all the other rights and obligations under the PPP Project Agreement shall cease to have effect except for the terms expressly provided in the PPP Project Agreement that will survive the termination of the PPP Project Agreement, but the other party to the PPP Project Agreement has the right to claim certain economic compensation from it.

## **(5) Performance Guarantees**

The total amount of the performance guarantees to be provided by the Consortium for the Project shall be RMB25,500,000. The Consortium shall, of their own accord, submit to Zhangqiu Water Bureau (a) a letter of performance guarantee in the amount of RMB21,000,000 in relation to the construction period, (b) a letter of guarantee in the amount of RMB2,000,000 in relation to the operation and maintenance, and (c) a letter of guarantee in the amount of RMB2,500,000 in relation to the transfer and repair.

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

The Consortium shall submit to Zhangqiu Water Bureau a letter of performance guarantee in relation to the construction period within 30 days from the date of the PPP Project Agreement, and the letter of performance guarantee in relation to the construction period shall remain effective from the date of such guarantee to the date of the submission of the letter of guarantee in relation to the operation and maintenance. The Consortium may issue multiple letters of performance guarantee in relation to the construction period with consecutive effective periods, but each letter of guarantee shall have an effective period of not less than 12 months. If the Consortium fails to submit, replace or renew the letter of performance guarantee in relation to the construction period according to the requirements under the PPP Project Agreement, Zhangqiu Water Bureau may terminate the PPP Project Agreement.

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

The Project Company shall submit to Zhangqiu Water Bureau a letter of guarantee in relation to the operation and maintenance within 7 days from the construction completion and acceptance of the Project to guarantee the performance of the obligations by the Project Company under the PPP Project Agreement, including the operation, management and maintenance of project facilities. The letter of guarantee in relation to the operation and maintenance shall remain effective from the date of such guarantee to the date of the submission of the letter of guarantee in relation to the transfer and repair. If the Project Company fails to ensure the validity period of the letter of guarantee in relation to the operation and maintenance according to the requirements under the PPP Project Agreement, Zhangqiu Water Bureau may demand the full amount under the letter of guarantee in relation to the operation and maintenance and terminate the PPP Project Agreement unilaterally.

(c) *Letter of Guarantee in relation to the Transfer and Repair*

The Project Company shall submit to Zhangqiu Water Bureau a letter of guarantee in relation to the transfer and repair 12 months before the expiry of the Concession Period to guarantee the performance of transfer obligations by the Project Company under the PPP Project Agreement. The letter of guarantee in relation to the transfer and repair shall remain effective from the date of such guarantee until 12 months after the expiry of the Concession Period. If the Project Company fails to ensure the validity period of the letter of guarantee in relation to the transfer and repair according to the requirements under the PPP Project Agreement, Zhangqiu Water Bureau may demand the full amount under the letter of guarantee in relation to the transfer and repair.

## **(6) Governance and Management of the Project Company**

The board of directors of the Project Company will comprise 3 directors, 2 of whom will be appointed by the Consortium (1 of whom will be the chairman) and 1 of whom will be appointed by Zhangqiu Water Bureau. The supervisory board of the Project Company will comprise 3 supervisors, 1 of whom will be appointed by the Consortium, 1 of whom will be appointed by Zhangqiu Water Bureau and 1 employee representative supervisor of whom will be elected by the employees of the Project Company.

## **INFORMATION ABOUT THE COMPANY, SICHUAN LUTONG AND ZHANGQIU WATER BUREAU**

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

Sichuan Lutong is principally engaged in municipal public utilities engineering, housing construction engineering, highway engineering, hydraulic and hydroelectric engineering, building renovation and decoration engineering, steel structural engineering, urban and road lighting engineering, fire fighting equipment engineering, intelligence installation engineering, waterproof, anti-corrosion and heat insulation engineering, crane installation engineering, construction mechanical and electrical equipment installation engineering, foundation engineering, environmental protection engineering and greenery landscape engineering.

Zhangqiu Water Bureau is a governmental institution under the People's Government of Ji'nan City.

## **REASONS AND BENEFITS OF THE PPP PROJECT AGREEMENT AND THE PROJECT**

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. 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 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 Project (including 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 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
“Business Day(s)”	any day (excluding a statutory rest day and statutory holiday or public holiday in the PRC) on which institutions generally work
“Company”	China Everbright Water Limited (中國光大水務有限公司), an exempted company incorporated on 22 August 2003 in Bermuda with limited liability, the shares of which are listed on the Mainboard of the SGX-ST and the Main Board of the SEHK
“Concession Period”	the concession period of the Project under the PPP Project Agreement
“connected person(s)”	has the meaning ascribed thereto under the SEHK Listing Rules
“Consortium”	the Company and Sichuan Lutong
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Ji’nan City”	Ji’nan City, Shandong Province, the PRC
“Plant”	Waste Water Treatment (Plant 4) in Zhangqiu District, Ji’nan City
“PRC”	the People’s Republic of China, which, for the purposes of this announcement, excludes Hong Kong, the Macao Special Administrative Region and Taiwan
“Project Company”	a company to be incorporated in Zhangqiu District, Ji’nan City, the PRC with limited liability pursuant to the PPP Project Agreement
“Project”	Waste Water Treatment (Plant 4) Public-Private Partnership (PPP) Project in Zhangqiu District, Ji’nan City, details of which are set out in the section headed “Summary” in this announcement
“PPP Project Agreement”	The Public-Private Partnership (PPP) Project Agreement entered into by the Company, Sichuan Lutong and Zhangqiu Water Bureau on 26 April 2020 in relation to the Project (as supplemented and amended from time to time)
“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 Listing Manual”	the Listing Manual of SGX-ST
“SGX-ST”	Singapore Exchange Securities Trading Limited
“Sichuan Lutong”	Sichuan Lutong Municipal Engineering Co., Ltd. (四川魯通市政工程有限公司), a company incorporated in the PRC with limited liability

“Zhangqiu  
Water Bureau”

the Urban-Rural Water Bureau of Zhangqiu District, Ji’nan City (濟南市章丘區城鄉水務局), a governmental institution under the People’s Government of Ji’nan City

“%”

per cent.

By Order of the Board  
**China Everbright Water Limited**  
**An Xuesong**

*Executive Director and Chief Executive Officer*

Hong Kong and Singapore, 27 April 2020

*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 1.00:1.099. 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) a non-executive Director, Mr. Wang Tianyi (Chairman); (ii) two executive Directors, namely Mr. An Xuesong (Chief Executive Officer) and Mr. Luo Junling; and (iii) four independent non-executive Directors, namely Mr. Zhai Haitao, Mr. Lim Yu Neng Paul, Ms. Cheng Fong Yee and Ms. Hao Gang.*