

CHINA EVERBRIGHT WATER LIMITED

Company Registration No.: 34074

(Incorporated in Bermuda)

ENTRY INTO PUBLIC-PRIVATE PARTNERSHIP PROJECT FOR THE PROTECTION OF DRINKING WATER SOURCES IN THE WEST AREA OF TONGXIANG CITY, ZHEJIANG PROVINCE

1. Introduction

The board of directors of China Everbright Water Limited (the “**Company**”) is pleased to announce that the Company has on 27 May 2019 entered into a PPP agreement (the “**PPP Agreement**”) with CCCC Shanghai Dredging Co., Ltd. (中交上海航道局有限公司) (“**SDC**”, together with the Company, the “**Consortium**”) and the Finance Bureau of Tongxiang City (桐乡市财政局) (the “**Finance Bureau**”) relating to a public-private partnership (“**PPP**”) project (the “**Project**”) for the protection of drinking water sources in the west area of Tongxiang City, Zhejiang Province, details of which are set out in paragraph 2 below.

2. Background of the Project

The Project will be undertaken by the Project Company (as defined below and details of which are set out in paragraph 5 below) in Tongxiang City, Zhejiang Province, the People’s Republic of China (“**PRC**”), and will involve the investment in, and the financing, construction and operation of:

- (i) a wetland ecological engineering project, including wetland ecological engineering, controlling buildings, soil and water conservation, water conservancy compensation in the surrounding areas and a smart water and security project;
- (ii) a pumping station; and
- (iii) pipeline network of approximately 30 kilometres in length, which will support and be connected to the Tongxiang Tongfu Water Plant (the “**Tongfu Plant**”) and the Tongxiang Yunhe Water Plant (the “**Yunhe Plant**”),

for a concession period (the “**Concession Period**”) of 20 years, including the construction period, pursuant to the PPP Agreement. The total daily treatment capacity of the Project is 600,000 tonnes, comprising: (a) daily treatment capacity of 225,000 tonnes for the engineering area of the wetland; (b) daily treatment capacity of 225,000 tonnes for the middle area of the wetland; and (c) daily treatment capacity of 150,000 tonnes for the south area of the wetland.

The Project Company shall be responsible for the investment, financing, construction and operation of the Project on an exclusive basis during the Concession Period subject to the terms and conditions in the PPP Agreement.

3. Rationale of the Project

The Project is the first project to be undertaken by the Company in Zhejiang Province of the PRC and the first project of the Company in the business area of drinking water source wetland protection. Accordingly, the Project serves to expand the presence and influence of the Company to Zhejiang Province and the surrounding areas, and provides a good foundation for further drinking water source wetland protection projects to be undertaken by the Company in the future. The Project is expected to enhance long-term returns and value for the shareholders of the Company.

4. Investment Amount

The total investment amount for the Project is estimated to be RMB1,253,267,900. Such investment amount will be contributed by the Project Company through internal resources and external financing.

5. Project Company

Pursuant to the PPP Agreement, for the purposes of investing in, and undertaking the construction, operation and management in relation to the Project, the Company, SDC and Tongxiang Water Group Co., Ltd. (桐乡市水务集团有限公司) (“**Tongxiang Water**”) will establish a joint venture company (the “**Project Company**”). Subject to the relevant laws and regulations, the Project Company is expected to have a registered capital of RMB100 million with the following shareholding breakdown:

- (i) the Company shall hold a 79.9 per cent. equity stake in the Project Company and shall contribute such amount to the capital of the Project Company which represents 79.9 per cent. of the registered capital of the Project Company;
- (ii) SDC shall hold a 0.1 per cent. equity stake in the Project Company and shall contribute such amount to the capital of the Project Company which represents 0.1 per cent. of the registered capital of the Project Company; and

- (iii) Tongxiang Water, an entity designated by the People's Government of Tongxiang City as its investor representative, shall hold the remaining 20 per cent. equity stake in the Project Company, and shall contribute such amount to the capital of the Project Company which represents 20 per cent. of the registered capital of the Project Company.

Without the unanimous consent from the Company, SDC and Tongxiang Water, the nature and the scope of business of the Project Company shall not be altered. Pursuant to the PPP Agreement, the Project Company shall, by way of entry into a supplemental agreement or a new agreement, replace the Consortium as the party to the Project, and the Consortium's rights and obligations under the PPP Agreement shall be transferred to the Project Company upon the execution of such supplemental agreement or new agreement.

6. Concession Rights

During the Concession Period, the Project Company shall be granted concession rights of the investment, financing, construction and operation of the Project and shall be entitled to supply water to Tongfu Plant and Yunhe Plant. The facilities under the Project shall belong to the relevant government, and during the Concession Period, the Project Company shall be granted the rights to use the facilities and the rights to receive the yield generated from such facilities.

After the expiry of the Concession Period, under the same terms and conditions, the Consortium shall have the priority to be granted the concession rights to operate the Project, provided that the Consortium's performance under the Project is good.

7. Return on Investment

Pursuant to the PPP Agreement, during the Concession Period, the Project Company shall be entitled to a return on its investment by way of viability gap funding and users' fees. The viability gap funding comprises the availability payment and performance payment to be paid by the Finance Bureau, deducting the users' fees. The users' fees refer to the fees to be paid by Tongfu Plant and Yunhe Plant to the Project Company for the raw water taken from the Project. The amount of the viability gap funding is subject to specific adjustment mechanisms throughout the Concession Period.

8. Other Information

The Finance Bureau, SDC and Tongxiang Water 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.

The PPP Agreement was entered into by the parties on arm’s length basis and on normal commercial terms and the Project is of a revenue nature in the ordinary and usual course of business of the Company. To the best of the knowledge, information and belief of the board of directors of the Company having made all reasonable enquiries, SDC and Tongxiang Water, together with their respective ultimate beneficial owners, are third parties 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: 28 May 2019