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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 SEHK LISTING RULES
ACQUISITION OF REGISTERED CAPITAL OF PROJECT COMPANY;
AND
UPDATE ON PUBLIC-PRIVATE PARTNERSHIP PROJECT
FOR THE PROTECTION OF DRINKING WATER SOURCES
IN THE WEST AREA OF TONGXIANG CITY, ZHEJIANG PROVINCE**

SUMMARY

The Board is pleased to announce that, on 17 September 2019, the Company, SDC and the Finance Bureau entered into the Capital Increase Agreement, pursuant to which, the Company will make capital contribution by cash of RMB215,730,000 (equivalent to approximately HK\$238,640,526) to the Project Company through CE Water Management. After the Completion, the Project Company will be held as to 79.9% by CE Water Management, 0.1% by SDC and 20% by Tongxiang Water, respectively.

IMPLICATIONS OF THE SEHK LISTING RULES

As the applicable percentage ratios exceed 5% but are less than 25%, the transaction contemplated under the Capital Increase Agreement constitutes a discloseable transaction of 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

Reference is made to the announcement of the Company dated 28 May 2019 in respect of signing of the PPP Framework Agreement (the “**Announcement**”) on the SGXNET and the overseas regulatory announcement of the Company published on the website of the SEHK on the same date.

The Board is pleased to announce that, on 17 September 2019, the Company, SDC and the Finance Bureau entered into the Capital Increase Agreement, pursuant to which, the Company will make capital contribution by cash of RMB215,730,000 (equivalent to approximately HK\$238,640,526) to the Project Company through CE Water Management. After the Completion, the Project Company is expected to have a registered capital of RMB270 million (instead of the originally proposed registered capital of RMB100 million as stated in the Announcement), and will be held as to 79.9% by CE Water Management, 0.1% by SDC and 20% by Tongxiang Water, respectively.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, SDC, the Finance Bureau, Tongxiang Water and their respective ultimate beneficial owners are third parties independent of the Company and its connected person(s).

CAPITAL INCREASE AGREEMENT

(1) Date

17 September 2019

(2) Parties

- (i) the Company;
- (ii) SDC; and
- (iii) the Finance Bureau.

(3) Project Company and Capital Contribution

The Project Company will be principally engaged in the construction and operation of the Project. The Project Company was established on 31 July 2019 in China and it has not commenced operation and does not have any assets or liabilities as at the date of this announcement.

Pursuant to the Capital Increase Agreement, the Company will make capital contribution by cash of RMB215,730,000 (equivalent to approximately HK\$238,640,526) to the Project Company through CE Water Management.

The registered capital of the Project Company will be RMB270,000,000 (equivalent to approximately HK\$298,674,000). The parties agreed to contribute the registered capital of the Project Company as follows:

- (i) CE Water Management will contribute RMB215,730,000 (equivalent to approximately HK\$238,640,526) by cash, representing 79.9% of the registered capital of the Project Company;
- (ii) SDC will contribute RMB270,000 (equivalent to approximately HK\$298,674) by cash, representing 0.1% of the registered capital of the Project Company; and
- (iii) the Finance Bureau will contribute RMB54,000,000 (equivalent to approximately HK\$59,734,800) by cash through Tongxiang Water, representing 20% of the registered capital of the Project Company.

After the Completion, the Project Company will be held as to 79.9% by CE Water Management, 0.1% by SDC and 20% by Tongxiang Water, respectively. The Project Company will become a non wholly-owned subsidiary of the Company.

THE PROJECT

(1) Scope of Business of the Project Company

The Project will be implemented by the Project Company in Tongxiang City, which will involve the investment in, and the financing, construction and operation of the following matters:

- (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; and
- (ii) a pumping station and auxiliary works.

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

(2) Concession Period

The Finance Bureau will grant a concession right to the Project Company for raw water treatment and supply for a concession period of twenty years, including the construction period and an operation period of eighteen years. The Project Company will commence the investment in, and the financing, construction and operation of the Project on an exclusive basis during the concession period and will be entitled to use the facilities of the Project and receive the yield generated from such facilities. Upon the expiry of the concession period, the Private Partners shall transfer the facilities under the Project to the Finance Bureau or the designated authority of the Municipal Government at nil consideration. The Finance Bureau has the right to select an operator in accordance with the laws and regulations effective at that time. If the Private Partners show a good record of fulfilling the terms of PPP Framework Agreement, the Private Partners shall have the priority to be granted concession rights in equal terms.

(3) Total Investment of the Project

The total investment amount for the Project is estimated to be RMB1,253,267,900 (equivalent to approximately HK\$1,386,364,951), which includes the registered capital of the Project Company. The registered capital of the Project Company shall be RMB270,000,000 (equivalent to approximately HK\$298,674,000), which will be contributed by CE Water Management, SDC and Tongxiang Water as agreed under the Capital Increase Agreement. The difference between the total investment and the registered capital shall be resolved by the Project Company by way of bank borrowings and other methods. If the Project Company fails to obtain financing, the Private Partners will attempt to help the Project Company obtain sufficient amount of financing in time through other legal means.

(4) Performance Guarantee

The performance guarantee to be made by the Private Partners for the Project shall amount to RMB180,000,000. The Private Partners shall, or facilitate the Project Company to, provide to the Finance Bureau (a) a letter of guarantee in relation to the construction period in the amount of RMB50,000,000; (b) a letter of guarantee in relation to the operation period in the amount of RMB30,000,000; and (c) a letter of guarantee in relation to transfer in the amount of RMB100,000,000. The three letters of

guarantee mentioned above shall be issued by financial institution(s), which are acceptable to the Finance Bureau, and shall be irrevocable bank guarantees which can be honoured at any time. The major terms are as follows:

(a) Letter of guarantee in relation to the construction period

The Private Partners shall, or facilitate the Project Company to, issue the letter of guarantee in relation to the construction period to the Finance Bureau within thirty days after the Capital Increase Agreement becomes effective.

The letter of guarantee in relation to the construction period shall be valid from the effective date of the Capital Increase Agreement to the completion of construction of the Project upon inspection and acceptance. The letter of guarantee in relation to the construction period shall be subject to early release when the letter of guarantee in relation to the operation period becomes effective.

In case the Private Partners do not pay any liquidated damages caused by any delay as agreed, or the Private Partners fail to perform other obligations during the construction period, the Finance Bureau has the right to unilaterally withdraw the fund under the letter of guarantee in relation to the construction period based on the amount payable by the Private Partners (including but not limited to the liquidated damages) pursuant to the required procedures.

(b) Letter of guarantee in relation to the operation period

The Private Partners shall, or facilitate the Project Company to, issue the letter of guarantee in relation to the operation period to the Finance Bureau within ten days after the commencement date of the trial operation of the Project.

The letter of guarantee in relation to the operation period, which may be issued in batches, shall be valid from the commencement date of the trial operation of the Project to the expiry date of the concession period.

In case the Private Partners fail to perform any obligations during the operation period, and fail to perform its whole or partial payment obligation (including but not limited to the liquidated damages) to the Finance Bureau, the Finance Bureau has the right to unilaterally withdraw the fund under the letter of guarantee in relation to the operation period based on the amount payable by the Private Partners (including but not limited to the liquidated damages) pursuant to the required procedures.

(c) Letter of guarantee in relation to transfer

The Private Partners shall, or facilitate the Project Company to, issue the letter of guarantee in relation to transfer to the Finance Bureau twenty-four months before the expiry of the concession period.

The letter of guarantee in relation to transfer shall be valid for one year from the expiry date of the concession period of the Project.

In case the assets to be transferred by the Private Partners as required fail to satisfy the transfer standards and technical examination requirements as stipulated under the agreement, or the Private Partners fail to perform other obligations, the Finance Bureau has the right to unilaterally withdraw the fund under the letter of guarantee in relation to transfer in the amount it considers appropriate pursuant to the required procedures.

(5) Payment of the Contributions

The parties shall pay the first contribution of RMB54,000,000 based on the construction progress of the Project and the financing requirement according to their pro rata shareholdings, and the remaining amount of contribution shall be paid in batches by the parties based on the progress of the Project. In respect of capital contribution, the amount of contribution of the Company will be financed by the internal resources of the Company and/or external financing.

(6) Transfer of Equity in the Project Company

The equity in the Project Company held by the Private Partners is transferable, subject to the followings:

- (i) the Private Partners shall not transfer the equity in the Project Company within five years after commencement of the operation period of the Project, unless it is requested by the relevant laws and is decided and executed by any judicial authority;

- (ii) any transfer of equity in the Project Company by the Private Partners must be approved by the relevant government authority. The equity transfer proposal shall be submitted in advance by the Private Partners to the relevant government authority. The transfer proposal shall only be implemented upon approval by the relevant government authority;
- (iii) the transferee shall explicitly take over all rights and obligations of the transferor;
- (iv) the transferee shall satisfy the agreed basic conditions in respect of technical capability, financial credit and operation experience;
- (v) if any PPP fund from the Ministry of Finance is successfully introduced to the Project upon the establishment of the Project Company, the PPP fund so introduced shall be first used as substitution of the 20% registered capital from Tongxiang Water, but Tongxiang Water shall be authorised to exercise the shareholder's right of decision making. Any transfer of equity in the Project Company by the Private Partners to the PPP fund shall be subject to approval by the Finance Bureau, free from the five-year restriction, and the leading party of the Private Partners shall hold more than 50% voting right after the transfer; and
- (vi) the Finance Bureau and Tongxiang Water shall not repurchase any equity in the Project Company from the Private Partners.

(7) Governance and Management of the Project Company

The board of directors of the Project Company will comprise five directors, three of whom will be nominated by the Private Partners and two of whom will be nominated by the Finance Bureau. The directors of the Project Company shall hold their position for three years, subject to re-election.

The supervisory committee of the Project Company will comprise five supervisors, three of whom will be appointed by the shareholders of the Project Company (one supervisor will be appointed by the Private Partners and two supervisors will be appointed by the Finance Bureau), and two of whom will be elected by the staff representatives of the Project Company.

INFORMATION ON THE COMPANY, SDC, THE FINANCE BUREAU AND TONGXIANG WATER

The Company is principally engaged in water environment treatment, 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.

SDC is principally engaged in core businesses including port and waterway dredging, land reclamation, water conservancy projects, town planning and environmental engineering, as well as other important businesses like mapping for water transportation, research and development of dredging technology, modern logistics, etc. It also provides a series of solutions and integrated services involving investment and financing, consultation and planning, design and building, management and operation.

The Finance Bureau is a functional department of the Municipal Government, duly organized and subsisting according to the laws of the PRC, and is a government authorized project implementation organization of the Project.

Tongxiang Water is a wholly state-owned enterprise directly administered by the Municipal Government which is responsible for the investment and operations management of water supply, urban infrastructure, and investment and development of social public projects and other project investments of Tongxiang City, and is a government authorized investment representative of the Finance Bureau in the Project.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CAPITAL INCREASE AGREEMENT AND IMPLEMENTATION OF THE PROJECT

As stated in the Announcement, 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.

The Directors (including independent non-executive Directors) consider that the terms of the Cooperative Arrangement of the Project (including the Capital Increase Agreement) are entered into by the parties after arm's length negotiation 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

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DEFINITIONS

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

“Board”	the board of directors of the Company
“Capital Increase Agreement”	an agreement dated 17 September 2019 entered into among the Company, SDC and the Finance Bureau in relation to the capital contribution by the parties to the Project Company
“CE Water Management”	China Everbright Water Management Limited (中國光大水務管理有限公司), a company incorporated in Hong Kong with limited liability, an indirectly wholly-owned subsidiary of the Company and a designated investor representative of the Company under the Capital Increase Agreement
“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 SGX-ST Main Board and the Main Board of the SEHK
“Completion”	completion of capital contribution pursuant to the terms and conditions of the Capital Increase Agreement
“connected person(s)”	has the meaning ascribed thereto under the SEHK Listing Rules
“Cooperative Arrangement of the Project”	cooperative arrangements of the Company, SDC and the Finance Bureau for the Project under the Capital Increase Agreement, the PPP Framework Agreement and other ancillary agreements

“Director(s)”	the director(s) of the Company
“Finance Bureau”	Finance Bureau of Tongxiang City* (桐鄉市財政局), a functional department of the Municipal Government duly organized and subsisting according to the laws of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Municipal Government”	the People’s Government of Tongxiang City
“PPP Framework Agreement”	a public-private partnership agreement in respect of the Project entered into among the Company, SDC and the Finance Bureau on 27 May 2019 (as supplemented and amended from time to time)
“PRC”	the People’s Republic of China
“Private Partners”	the Company and SDC
“Project Company”	Everbright Water (Tongxiang) Limited* (光大水務(桐鄉)有限公司), a company established in the PRC with limited liability, which is wholly-owned by Tongxiang Water as at the date of this announcement
“Project”	a public-private partnership project for the protection of drinking water sources in the west area of Tongxiang City, as further described in the section entitled “The Project — (1) Scope of Business of the Project Company” in this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“SDC”	CCCC Shanghai Dredging Co., Ltd.* (中交上海航道局有限公司), a company established in the PRC with limited liability
“SEHK”	The Stock Exchange of Hong Kong Limited

“SEHK Listing Rules”	the Rules Governing the Listing of Securities on the SEHK
“SGX-ST”	Singapore Exchange Securities Trading Limited
“Tongxiang City”	Tongxiang City, Zhejiang Province, the PRC
“Tongxiang Water”	Tongxiang Water Group Co., Ltd* (桐鄉市水務集團有限公司), a company established in the PRC with limited liability
“%”	percentage

By Order of the Board
China Everbright Water Limited
An Xuesong
Executive Director and Chief Executive Officer

Date: 17 September 2019

* *For identification purpose only*

For the purposes of this announcement and illustration only, conversions of RMB into HK\$ are based on the approximate exchange rate of RMB1.00 to HK\$1.1062. No representation is made that any amount in HK\$ or RMB could have been or could be converted at the above rate 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.