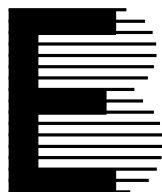


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## **CHINA EVERBRIGHT INTERNATIONAL LIMITED**

**中國光大國際有限公司**

*(Incorporated in Hong Kong with limited liability)*

(Stock Code: 0257)

### **DISCLOSEABLE TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS**

#### **ASSET TRANSFER OF WASTE WATER TREATMENT PLANTS IN JIANGYIN CITY, JIANGSU PROVINCE, THE PRC**

The Board refers to the announcement of the Company on 31 October 2007 and is pleased to further announce that on 16 November 2007 after trading hours, Everbright Wuxi, a wholly-owned subsidiary of the Company, entered into the Joint Venture Agreement with Xin Guo Lian in relation to the establishment of the Project Company. On the same day and at the same time, Everbright Wuxi entered into, amongst other agreements, the Qing Yuan Waste Water Treatment Plants Transfer Agreement with the Project Company, Jiangyin Qing Yuan and Xin Guo Lian and the Chengshi Waste Water Treatment Plant Transfer Agreement with the Project Company, Jiangyin Urban Sewage and Xin Guo Lian, pursuant to which the Project Company will acquire the Waste Water Treatment Plants for a total consideration of RMB624,028,230 (equivalent to approximately HK\$645,245,000).

The Asset Transfer Agreements have not been formally executed by the Project Company as at the date of this announcement. The Project Company is expected to be established within 30 days from the date of signing of the Joint Venture Agreement. The Asset Transfer Agreements, the Concession Right Agreement and the Waste Water Treatment Service Agreement are expected to be formally executed by the Project Company within seven days from the completion of the establishment of the Project Company.

The consideration payable under the Asset Transfer Agreements exceeds 5% but is less than 25% under the consideration test set forth in Rule 14.15 of the Listing Rules. Therefore, the entering into of the Asset Transfer Agreements constitutes a discloseable transaction of the Company under Rule 14.06(2) of the Listing Rules.

The Project Company, upon its establishment, will be owned by Everbright Wuxi as to 70% and Xin Guo Lian as to 30%, thus being an indirect non-wholly owned subsidiary of the Company.

Xin Guo Lian is a state-owned company. As Xin Guo Lian will be a substantial shareholder of the Project Company, each of Xin Guo Lian and the Jiangyin People's Government will become a connected person of the Company within the meaning of the Listing Rules. Therefore, the transactions contemplated under the Concession Right Agreement and the Waste Water Treatment Service Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the Directors expect that the relevant percentage ratios in relation to the transactions contemplated under the Concession Right Agreement and the Waste Water Treatment Service Agreement in aggregate will exceed 2.5% or the relevant consideration will be more than HK\$10,000,000 as set out in Chapter 14A of the Listing Rules, the transactions constitute non-exempt continuing connected transactions under Rule 14A.35 of the Listing Rules and are subject to the reporting, announcement and independent shareholders' approval requirements under Rules 14A.45 to 14A.48 of the Listing Rules, and the annual review requirements under Rules 14A.37 to 14A.40 of the Listing Rules. Details of the continuing connected transactions will be included in the Company's annual reports and accounts.

As no Shareholders have any interest in the Concession Right Agreement and/or the Waste Water Treatment Service Agreement, no Shareholders are required to abstain from the Shareholders' approval of the continuing connected transactions contemplated under the Concession Right Agreement and the Waste Water Treatment Service Agreement. Guildford Limited, the intermediate controlling Shareholder which holds approximately 56.25% of the issued share capital of the Company, has approved in writing the Concession Right Agreement and the Waste Water Treatment Service Agreement and the continuing connected transactions contemplated thereby. Accordingly, there is no need to convene a Shareholders' meeting to approve such transactions. Based on the above grounds, the Company has applied to the Listing Committee of the Stock Exchange a waiver under Rule 14A.43 of the Listing Rules from convening a Shareholders' meeting to approve the continuing connected transactions contemplated thereby.

A circular containing, amongst other things, further information on the Asset Transfer and the continuing connected transactions will be despatched to the Shareholders as soon as practicable after the publication of this announcement in accordance with the requirements of the Listing Rules.

## **BACKGROUND**

In order to improve the operational efficiency of public utilities in Jiangyin City, the Jiangyin People's Government had decided to transfer the Transferred Assets to the Project Company to be established by Everbright Wuxi and Xin Guo Lian. The Board refers to the announcement of the Company on 31 October 2007 and is pleased to further announce that on 16 November 2007 after trading hours, Everbright Wuxi entered into the Joint Venture Agreement with Xin Guo Lian to agree to certain terms in relation to the establishment of the Project Company. On the same day and at the same time, (i) the Qing Yuan Waste Water Treatment Plants Transfer Agreement in relation to the transfer of the Qing Yuan Waste Water Treatment Plants was executed by Everbright Wuxi, Xin Guo Lian and Jiangyin Qing Yuan ; (ii) the Chengshi Waste Water Treatment Plant Transfer Agreement in relation to the transfer of the Chengshi Waste Water Treatment Plant was executed by Everbright Wuxi, Xin Guo Lian and Jiangyin Urban Sewage; (iii) the Concession Right Agreement in relation to the granting of an exclusive

concession right to the Project Company to operate the Waste Water Treatment Plants was executed by Everbright Wuxi, Xin Guo Lian and Jiangyin Construction Bureau; and (iv) the Waste Water Treatment Service Agreement in relation to the provision of waste water treatment service by the Project Company was executed by Everbright Wuxi, Xin Guo Lian, Jiangyin Construction Bureau and Jiangyin Finance Bureau. Within seven days of the establishment of the Project Company by Everbright Wuxi and Xin Guo Lian in accordance with the Joint Venture Agreement, the Asset Transfer Agreements, the Concession Right Agreement and the Waste Water Treatment Service Agreement will be formally executed by the Project Company.

## **THE JOINT VENTURE AGREEMENT**

The principal terms of the Joint Venture Agreement are set forth below:-

**Date:** 16 November 2007

**Parties:** (1) Xin Guo Lian and (2) Everbright Wuxi

**Business scope:** The business scope of the Project Company includes: the construction and operation of waste water treatment plants and ancillary facilities in Jiangyin City, research and development in new technology in water treatment and sanitization, provision of related technical consultation and services; sales of by-products from waste water treatment (subject to the approval of the PRC business registration authorities).

**Formation of the Project Company** Everbright Wuxi and Xin Guo Lian shall seek to establish the Project Company in Jiangyin City within 30 days from the date of signing of the Joint Venture Agreement.

The total investment of the Project Company shall be RMB624,028,230 (equivalent to approximately HK\$645,245,000).

The registered capital of the Project Company shall be RMB360,000,000 (approximately HK\$372,240,000), of which Xin Guo Lian shall contribute 30% of total registered capital, being RMB108,000,000 (equivalent to approximately HK\$111,672,000) and Everbright Wuxi shall contribute 70% of total registered capital, being RMB252,000,000 (equivalent to approximately HK\$260,568,000). Contributions to registered capital shall be made by wire transfer.

The Company currently intends to fund the amount of RMB252,000,000 (equivalent to approximately HK\$260,568,000), being its 70% share of the registered capital of the Project Company by cash from internal resources.

The difference between the total investment and the registered capital of the Project Company, being RMB264,028,230 (equivalent to approximately HK\$273,005,000) is expected to be covered by bank borrowings of the Project Company and if the bank borrowings are not sufficient to fund the difference, the shortfall shall be covered by shareholders' loan to be provided by Everbright Wuxi and Xin Guo Lian respectively in proportion to their shareholding in the Project Company.

<b>Capital contribution:</b>	Everbright Wuxi and Xin Guo Lian shall each pay their respective contribution to registered capital within three months of the issuance of the business license of the Project Company. The first installment of such capital contribution shall be payable within 45 days from the execution of the Joint Venture Agreement and shall not be less than 20% of their respective contribution to registered capital.
<b>Board of directors:</b>	The board of directors of the Project Company shall comprise seven members. Everbright Wuxi shall be entitled to appoint four directors, one of whom shall be the Chairman of the board of directors of the Project Company, and Xin Guo Lian shall be entitled to appoint three directors. Each director shall have a term of three years.
<b>Supervisory committee:</b>	The supervisory committee shall comprise three members. Xin Guo Lian and Everbright Wuxi shall each be entitled to appoint one member. The labour representative (to be elected by a meeting of labour representatives) shall become a member of the Supervisory Committee. The directors, managers and the financial controller of the Project Company shall not become a member of the Supervisory Committee.
<b>Operations and Management Department:</b>	An operations and management department shall be established which shall be responsible for the day-to-day management and operations of the Project Company. The operations and management department shall comprise a general manager to be nominated by Everbright Wuxi, a deputy general manager to be nominated by Xin Guo Lian, a financial controller to be nominated by Everbright Wuxi and a finance manager to be nominated by Xin Guo Lian.
<b>Profit Distribution:</b>	The proportion of profit distribution shall be determined by the board of directors of the Project Company in accordance with the results of operations of the Project Company. Dividends shall be distributed to Xin Guo Lian and Everbright Wuxi in accordance with their respective contribution to the registered capital of the Joint Venture Company.
<b>Governing law:</b>	The laws of the PRC
<b>Accounting treatment of the Project Company:</b>	The Project Company, upon its establishment, will be owned by Everbright Wuxi as to 70% and Xin Guo Lian as to 30%, thus being an indirect non-wholly owned subsidiary of the Company. The accounts of the Project Company will be consolidated into the financial statements of the Group as a whole.

## **QING YUAN WASTE WATER TREATMENT PLANTS TRANSFER AGREEMENT**

The principal terms of the Qing Yuan Waste Water Treatment Plants Transfer Agreement are set forth below:-

<b>Date:</b>	16 November 2007
<b>Parties:</b>	(1) Xin Guo Lian; (2) Everbright Wuxi; (3) Jiangyin Qing Yuan and (4) the Project Company (which shall execute the Qing Yuan Waste Water Treatment Plants Transfer Agreement upon its establishment)

**Assets to be transferred:** Jiangyin Qing Yuan agreed to transfer to the Project Company the Qing Yuan Waste Water Treatment Plants comprising a total of three waste water treatment factories in Jiangyin City owned by Jiangyin Qing Yuan. These factories are yet to commence operation. Accordingly, historical revenue and profit relating to the Waste Water Treatment Plants which are relevant to the Shareholders are not available. Upon completion of the Qing Yuan Waste Water Treatment Plants Transfer Agreement, the Qing Yuan Waste Water Treatment Plants will be in operation to generate revenue from waste water treatment service charges payable by the Jiangyin Construction Bureau to the Project Company in accordance with the Waste Water Treatment Service Agreement.

**Consideration and payment terms:** The total consideration for the transfer of the Qing Yuan Waste Water Treatment Plants shall be RMB541,088,930 (equivalent to approximately HK\$559,486,000).

Within five days of the execution of the Qing Yuan Waste Water Treatment Plants Transfer Agreement by the Project Company, the Project Company shall pay to Jiangyin Qing Yuan the sum of RMB309,193,675 (equivalent to approximately HK\$319,706,000).

On the day upon which all the conditions precedent for the transfer of the Qing Yuan Waste Water Treatment Plants are satisfied in accordance with the Qing Yuan Waste Water Treatment Plants Transfer Agreement, the Project Company shall pay to Jiangyin Qing Yuan the sum of RMB231,895,255 (equivalent to approximately HK\$239,780,000).

It is expected that approximately 57% of the amount of the consideration for the transfer of the Qing Yuan Waste Water Treatment Plants will be funded by cash from internal resources of the Project Company and the remaining 43% of such amount will be funded by bank borrowings of the Project Company.

**Completion of the Asset Transfer:** Completion of the transfer of the Qing Yuan Waste Water Treatment Plants is subject to, amongst other things, the approval of the relevant Jiangyin People's government authorities and is estimated to take place within one year after the date of signing of the Qing Yuan Waste Water Treatment Plants Transfer Agreement.

**Legal owner** Upon completion of the transfer of the Qing Yuan Waste Water Treatment Plants, the legal owner of the Qing Yuan Waste Water Treatment Plants will be the Project Company.

**Treatment of the Qing Yuan Waste Water Treatment Plants:** The Group's treatment of the Qing Yuan Waste Water Treatment Plants shall be consistent with the Group's existing accounting treatment of similar assets. The consideration of the Qing Yuan Waste Water Treatment Plants is recognized as a receivable included in the balance sheet under "Debtors, other receivables, deposits and prepayments" in compliance with the requirements under the HK(IFRIC) 12: "Service Concession Arrangements". Such receivable is reduced when payments,

being a portion of the waste water treatment revenue are received. Finance income on the receivable is recognized using an estimate of the service concession grantors' incremental borrowing rate of interest. Upon expiry of the Term, it is expected that the receivable will be reduced to zero and the Qing Yuan Waste Water Treatment Plants shall be transferred back to Jiangyin People's Government at nil consideration and the Project Company shall cease to have any rights and obligations under the Concession Right Agreement; and the Waste Water Treatment Service Agreement and the Qing Yuan Waste Water Treatment Plants Transfer Agreement shall automatically be terminated simultaneously.

## **CHENGSHI WASTE WATER TREATMENT PLANT TRANSFER AGREEMENT**

The principal terms of the Chengshi Waste Water Treatment Plant Transfer Agreement are set forth below:-

**Date:** 16 November 2007

**Parties:** (1) Xin Guo Lian; (2) Everbright Wuxi; (3) Jiangyin Urban Sewage and (4) the Project Company (which shall execute the Chengshi Waste Water Treatment Plant Transfer Agreement upon its establishment)

**Assets to be transferred:** Jiangyin Urban Sewage agreed to transfer to the Project Company the Chengshi Waste Water Treatment Plant. The Chengshi Waste Water Treatment Plant is yet to commence operation. Accordingly, historical revenue and profit relating to the Chengshi Waste Water Treatment Plant which are relevant to the Shareholders are not available. Upon completion of the Chengshi Waste Water Treatment Plant Transfer Agreement, the Chengshi Waste Water Treatment Plant will be in operation to generate revenue from waste water treatment service charges payable by the Jiangyin Construction Bureau to the Project Company in accordance with the Waste Water Treatment Service Agreement.

**Consideration and payment terms:** The total consideration for the transfer of the Chengshi Waste Water Treatment Plant shall be RMB82,939,300 (equivalent to approximately HK\$85,759,000).

Within five days of the execution of the Chengshi Waste Water Treatment Plant Transfer Agreement by the Project Company, the Project Company shall pay to Jiangyin Urban Sewage the sum of RMB47,393,885 (equivalent to approximately HK\$49,005,000).

On the day upon which all the conditions precedent for the transfer of the Chengshi Waste Water Treatment Plant are satisfied in accordance with the Chengshi Waste Water Treatment Plant Transfer Agreement, the Project Company shall pay to Jiangyin Urban Sewage the sum of RMB35,545,415 (equivalent to approximately HK\$36,754,000).

It is expected that approximately 57% of the amount of the consideration for the transfer of the Chengshi Waste Water Treatment Plant will be

funded by cash from internal resources of the Project Company and the remaining 43% of such amount will be funded by bank borrowings of the Project Company.

<b>Completion of the Transfer of the Chengshi Waste Water Treatment Plant:</b>	Completion of the transfer of the Chengshi Waste Water Treatment Plant is subject to, amongst other things, the approval of the relevant Jiangyin People's government authorities and is estimated to take place within one year after the date of signing of the Chengshi Waste Water Treatment Plant Transfer Agreement.
<b>Legal owner</b>	Upon completion of the transfer of the Chengshi Waste Water Treatment Plant, the legal owner of the Chengshi Waste Water Treatment Plant will be the Project Company.
<b>Treatment of the Chengshi Waste Water Treatment Plant:</b>	The Group's treatment of the Chengshi Waste Water Treatment Plant shall be consistent with the Group's existing accounting treatment of similar assets. The consideration of the Chengshi Waste Water Treatment Plant is recognized as a receivable included in the balance sheet under "Debtors, other receivables, deposits and prepayments" in compliance with the requirements under the HK(IFRIC) 12: "Service Concession Arrangements". Such receivable is reduced when payments, being a portion of the waste water treatment revenue are received. Finance income on the receivable is recognized using an estimate of the service concession grantors' incremental borrowing rate of interest. Upon expiry of the Term, it is expected that the receivable will be reduced to zero and the Chengshi Waste Water Treatment Plant shall be transferred back to Jiangyin People's Government at nil consideration and the Project Company shall cease to have any rights and obligations under the Concession Right Agreement; and the Waste Water Treatment Service Agreement and the Chengshi Waste Water Treatment Plant Transfer Agreement shall automatically be terminated simultaneously.

## **CONCESSION RIGHT AGREEMENT**

<b>Date:</b>	16 November 2007
<b>Parties:</b>	(1) Xin Guo Lian; (2) Everbright Wuxi; (3) Jiangyin Construction Bureau; and (4) the Project Company (which shall execute the Concession Right Agreement upon its establishment)
<b>Subject matter:</b>	Pursuant to the Concession Right Agreement, the Project Company has been granted an exclusive right to, inter alia, operate and maintain the Waste Water Treatment Plants to provide waste water treatment service in certain specified areas in Jiangyin City during the Term and to reconstruct and expand the Waste Water Treatment Plants.
<b>Term:</b>	A period of 30 years commencing from the first business day after the first installment of the aggregate consideration for the Transferred Assets, i.e. RMB356,587,560 (equivalent to approximately HK\$368,711,000), has

been paid by the Project Company pursuant to the payment terms of each of the Asset Transfer Agreements.

## **WASTE WATER TREATMENT SERVICE AGREEMENT**

**Date:** 16 November 2007

**Parties:** (1) Xin Guo Lian; (2) Everbright Wuxi; (3) Jiangyin Construction Bureau; (4) Jiangyin Finance Bureau; and (5) the Project Company (which shall execute the Waste Water Treatment Service Agreement upon its establishment)

**Subject Matter:** Pursuant to the Waste Water Treatment Service Agreement, Jiangyin Construction Bureau agreed to engage the Project Company to, inter alia, operate the Waste Water Treatment Plants, to provide waste water treatment services in certain specified areas in Jiangyin City, Jiangsu Province, the PRC, during the Term depending on Jiangyin City's water resources plans and market demand at the relevant time and to receive water treatment service charges and other charges collected by Jiangyin Finance Bureau. Jiangyin Construction Bureau shall be responsible for supplying waste water to the Project Company and shall collect the treated waste water at discharge points in accordance with the terms of the Waste Water Treatment Service Agreement, unless otherwise stipulated.

During the Term, the Project Company shall, at its own costs and risk and based on the safety operations manual, have the obligations to properly maintain and operate the waste water facilities to ensure the safety, efficiency of the operations of such facilities in accordance with the applicable laws and regulations of the PRC, the provisions of the Concession Right Agreement and the Waste Water Treatment Service Agreement.

**Term:** A period of 30 years commencing from the first business day after the first installment of the aggregate consideration for the Transferred Assets, i.e. RMB356,587,560 (equivalent to approximately HK\$368,711,000), has been paid by the Project Company pursuant to the payment terms of each of the Asset Transfer Agreements..

**Service fees and terms of payment:** For the provision of waste water treatment services by the Project Company under the Waste Water Treatment Service Agreement, Jiangyin Construction Bureau shall be required to pay waste water service charges to the Project Company, subject to any adjustments in accordance with the provisions of the Waste Water Treatment Service Agreement. The waste water service charges shall be calculated based on the volume of waste water to be treated and shall be payable monthly in cash.



**Proposed annual caps:** The proposed annual caps for the three years ending 31 December 2008, 2009 and 2010 are as follows:

	<b>Year ending 31 December 2008 Proposed cap</b>	<b>Year ending 31 December 2009 Proposed cap</b>	<b>Year ending 31 December 2010 Proposed cap</b>
<b>RMB</b>	140,000,000	161,000,000	161,000,000

The above annual caps have been determined by reference to the designed daily capacity and maximum annual capacity of the amount of waste water to be treated by the Waste Water Treatment Plants and service charges per cubic metre for waste water treatment by the Waste Water Treatment Plants.

## **GENERAL**

The Group is primarily engaged in the business of environmental protection investment, infrastructure operation, property investment and project management in the PRC.

The Group has been developing its environmental protection business since 2002. Development of urban sewage treatment has been one of the key development goals of its environmental protection business.

To the best of the Company's knowledge, information and belief and having made all reasonable enquiries, Xin Guo Lian is a state-owned company duly organized and existing under the laws of the PRC and registered with the Administration of Industry and Commerce of Jiangyin, Wuxi City, Jiangsu Province, the PRC. It is principally engaged in the investment in, construction and management of waste water treatment facilities in Jiangyin City.

To the best of the Company's knowledge, information and belief and having made all reasonable enquiries, Jiangyin Finance Bureau is a Jiangyin People's government authority principally engaged in formulating and enforcing financial development strategies, policies, plans and reform proposals in Jiangyin City.

To the best of the Company's knowledge, information and belief and having made all reasonable enquiries, Jiangyin Construction Bureau is a Jiangyin People's government authority principally engaged in the planning and management of the construction and real estate industry in Jiangyin City.

To the best of the Company's knowledge, information and belief and having made all reasonable enquiries, Jiangyin Qing Yuan is an entity under the Jiangyin People's government authority principally engaged in the treatment of water pollutants in Jiangyin City.

To the best of the Company's knowledge, information and belief and having made all reasonable enquiries, Jiangyin Urban Sewage is an entity under the Jiangyin People's government authority principally engaged in the provision of waste water treatment services, operation of waste water pump stations, and maintenance, servicing and management of water discharge facilities in Jiangyin City.

To the best of the Company's knowledge, information and belief and having made all reasonable enquiries, the counter-parties to the transactions under the Joint Venture Agreement and the Project Agreements including Xin Guo Lian, Jiangyin Finance Bureau, Jiangyin Construction Bureau, Jiangyin Qing Yuan and Jiangyin Urban Sewage and their ultimate beneficial owners are not connected persons of the Company and are Independent Third Parties as at the date of this announcement. The Company and the Group did not have any prior transactions or relationship with each of the above counter-parties to the transactions under the Joint Venture Agreement and the Project Agreements which require aggregation under Rules 14.22 and 14A.25 of the Listing Rules.

## **REASONS AND BENEFITS OF THE ASSET TRANSFER AND ENTERING INTO THE PROJECT AGREEMENTS**

To ensure the sustainability of the country's economic development, the PRC government has set a high priority for environmental protection. With the rising awareness of the importance of environmental protection in society, there are enormous opportunities for growth of the environmental protection industry in the PRC.

The Board (including the independent non-executive Directors) believes that investment in the Project will further strengthen the Group's environmental protection business. To date, the Group has participated in the waste water treatment projects in Qingdao City, Zibo City and Jinan City in Shandong Province in the PRC which have shown encouraging progress. Riding on the success of these projects, the Group wishes to expand its waste water treatment business to Jiangsu Province, which has excellent potential for development given the rapid economic growth in the region. The entering into the waste water treatment business in Jiangsu Province explores the opportunity for the Group to further invest in the sewage piping network in the rural areas in Jiangsu Province in future. With the increasing importance of environmental protection especially on the improvement of the polluted Taihu Lake, the Group believes that the investment in the Project will not only enhance the Group's leading position in treating waste water to Grade 1A standard in the PRC but also lays a good foundation for getting other projects along the Taihu Lake.

The aggregate consideration payable under the Asset Transfer Agreements was determined through arm's length negotiations among the parties thereto after considering the valuation of RMB635,300,000 (equivalent to approximately HK\$656,900,000) by using discounted cash flow method on the Waste Water Treatment Plants prepared on 15 November 2007 by Grant Sherman Appraisal Limited, an independent qualified valuer appointed by the Company. The Board (including the independent non-executive Directors) believes that the terms of the transactions under the Asset Transfer Agreements are on normal commercial terms, fair and reasonable and in the interests of the Shareholders as a whole, taking into account the valuation of the Waste Water Treatment Plants, the opportunity for the Group to access a market with excellent potential for the environmental protection business and the ability to operate the Waste Water Treatment Plants on an exclusive basis to generate revenue for the Group from service charges and other charges.

The Board (including the independent non-executive Directors) is also of the view that the terms of the Concession Right Agreement and the Waste Water Treatment Service Agreement are on normal commercial terms, fair and reasonable and the proposed annual caps under the Waste Water Treatment Service Agreement are also fair and reasonable and that the entering into of such agreements is in the interest of the Company and the Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

### ***Discloseable transaction***

The total consideration payable under the Asset Transfer Agreements exceeds 5% but less than 25% under the consideration test set forth in Rule 14.15 of the Listing Rules. Therefore, the entering into of the Asset Transfer Agreements constitutes a discloseable transaction of the Company under Rule 14.06(2) of the Listing Rules.

### ***Continuing connected transactions***

The Project Company, upon its establishment, will be owned by Everbright Wuxi as to 70% and Xin Guo Lian as to 30%, thus being an indirect non-wholly owned subsidiary of the Company. Xin Guo Lian is a state-owned company. As Xin Guo Lian will be a substantial shareholder of the Project Company, each of Xin Guo Lian and the Jiangyin People's Government will become a connected person of the Company within the meaning of the Listing Rules. Therefore, transactions between Everbright Wuxi, the Project Company, upon its establishment, and the relevant government authorities contemplated under the Concession Right Agreement and the Waste Water Treatment Service Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As there will not be any fees payable under the Concession Right Agreement, there will not be any proposed annual caps for the transaction contemplated thereunder. However, the transactions under the Concession Right Agreement and the Waste Water Treatment Service Agreement have been aggregated and treated as if they were one transaction pursuant to Rule 14A.25 of the Listing Rules.

As the Directors expect that the relevant percentage ratios in relation to the transactions contemplated under the Concession Right Agreement and the Waste Water Treatment Service Agreement in aggregate will exceed 2.5% or the relevant consideration will be more than HK\$10,000,000 as set out in Chapter 14A of the Listing Rules, the transactions constitute non-exempt continuing connected transactions under Rule 14A.35 of the Listing Rules and are subject to the reporting, announcement and independent shareholders' approval requirements under Rules 14A.45 to 14A.48 of the Listing Rules, and the annual review requirements under Rules 14A.37 to 14A.40 of the Listing Rules. Details of the continuing connected transactions will be included in the Company's annual reports and accounts.

As no Shareholders have any interest in the Concession Right Agreement and/or the Waste Water Treatment Service Agreement, no Shareholders are required to abstain from the Shareholders' approval of the continuing connected transactions contemplated under the Concession Right Agreement and the Waste Water Treatment Service Agreement. Guildford Limited, the intermediate controlling Shareholder which holds approximately 56.25% of the issued share capital of the Company, has approved in writing the Concession Right Agreement and the Waste Water Treatment Service Agreement and the continuing connected transactions contemplated thereby. Accordingly, there is no need to convene a Shareholders' meeting to approve such transactions. Based on the above grounds, the Company has applied to the Listing Committee of the Stock Exchange a waiver under Rule 14A.43 of the Listing Rules from convening a Shareholders' meeting to approve the continuing connected transactions contemplated thereby.

The Independent Board Committee will be established to give an opinion to the Shareholders in connection with the terms of the continuing connected transactions and the proposed annual caps for the transactions under the Waste Water Treatment Service Agreement after taking into account the opinion to be issued by the Independent Financial Adviser who will be appointed to issue an opinion to the Independent Board Committee and the Shareholders as to whether the continuing connected transactions under the Concession Right Agreement and the Waste Water Treatment Service Agreement are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of the Company and the Shareholders as a whole and the proposed annual caps for the continuing connected transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

A circular containing, amongst other things, further information on the Asset Transfer and further details on the continuing connected transactions, including an opinion from the Independent Board Committee to the Shareholders and an opinion from the Independent Financial Adviser to the Independent Board Committee and the Shareholders as to whether the continuing connected transactions under the Concession Right Agreement and the Waste Water Treatment Service Agreement are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of the Company and the Shareholders as a whole and the proposed annual caps for the continuing connected transactions are fair and reasonable and in the interests of the Shareholders as a whole, will be despatched to the Shareholders as soon as practicable after the publication of this announcement.

## **DEFINITION**

In this announcement, unless context otherwise requires, the following expressions have the following meanings:-

<b>“Asset Transfer”</b>	the transfer of the Qing Yuan Waste Water Treatment Plants from Jiangyin Qing Yuan to the Project Company pursuant to the Qing Yuan Waste Water Treatment Plants Transfer Agreement and the transfer of the Chengshi Waste Water Treatment Plant from Jiangyin Urban Sewage to the Project Company pursuant to the Chengshi Waste Water Treatment Plant Transfer Agreement;
<b>“Asset Transfer Agreements”</b>	collectively, the Qing Yuan Waste Water Treatment Plants Transfer Agreement and the Chengshi Waste Water Treatment Plant Transfer Agreement;
<b>“Board”</b>	the board of Directors of the Company;
<b>“Chengshi Waste Water Treatment Plant”</b>	城市污水處理廠 (Chengshi waste water treatment plant) situated in Jiangyin City, the PRC, including all constructions, structures, facilities, equipments and other assets in connection therewith;
<b>“Chengshi Waste Water Treatment Plant Transfer Agreement”</b>	agreement between the Project Company, Everbright Wuxi, Xin Guo Lian and Jiangyin Urban Sewage in relation to the transfer of the Chengshi Waste Water Treatment Plant to the Project Company;

<b>“Company”</b>	China Everbright International Limited (中國光大國際有限公司), a company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange;
<b>“Concession Right Agreement”</b>	the concession right agreement entered into between Jiangyin Construction Bureau, Xin Guo Lian, Everbright Wuxi and the Project Company on 16 November 2007 in respect of the granting of an exclusive right to the Project Company to operate the Waste Water Treatment Plants during the Term;
<b>“Directors”</b>	the directors of the Company;
<b>“Everbright Wuxi”</b>	Everbright Water (Wuxi) Holdings Limited (光大水務(無錫)控股有限公司), a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company;
<b>“Group”</b>	the Company and its subsidiaries;
<b>“Independent Board Committee”</b>	the independent board committee of the Board consisting of all the independent non-executive Directors;
<b>“Independent Financial Adviser”</b>	an independent financial adviser to the Independent Board Committee and the Shareholders to be appointed in relation to the continuing connected transactions;
<b>“Independent Third Parties”</b>	third parties not connected with any director, chief executive or substantial shareholder of the Company or any of its subsidiaries or their respective associates under the Listing Rules;
<b>“Jiangyin Construction Bureau”</b>	江陰市建設局 (Jiangyin Construction Bureau*);
<b>“Jiangyin Finance Bureau”</b>	江陰市財政局 (Jiangyin Finance Bureau*);
<b>“Jiangyin State-owned Assets Commission”</b>	江陰市國有資產管理辦公室 (State-owned Assets Supervision and Administration Commission of Jiangyin People’s Government *);
<b>“Jiangyin Qing Yuan”</b>	江陰清源水處理有限公司 (Qing Yuan Water Treatment Co., Ltd., Jiangyin)
<b>“Jiangyin Urban Sewage”</b>	江陰市城市污水處理有限公司 (Jiangyin Urban Sewage Treatment Co., Ltd)

<b>“Joint Venture Agreement”</b>	the joint venture agreement dated 16 November 2007 and entered into between Xin Guo Lian and Everbright Wuxi in respect of the establishment of the Project Company;
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the PRC;
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited;
<b>“PRC”</b>	the People’s Republic of China;
<b>“Project”</b>	investment in the business of waste water treatment service in Jiangyin City, the PRC through the Asset Transfer and operation of the Waste Water Treatment Plants to provide waste water treatment services in certain specified areas in Jiangyin City pursuant to the Project Agreements;
<b>“Project Agreements”</b>	the Asset Transfer Agreements, the Concession Right Agreement and the Waste Water Treatment Service Agreement;
<b>“Project Company”</b>	a project company to be established by Everbright Wuxi and Xin Guo Lian pursuant to the Joint Venture Agreement with a registered capital of RMB360,000,000 to own the Transferred Assets and operate the Waste Water Treatment Plants during the Term; such project company will be a non wholly-owned subsidiary of the Company;
<b>“Qing Yuan Waste Water Treatment Plants”</b>	濱江污水處理廠 (Binjiang waste water treatment plant), 澄西污水處理廠 (Chengxi waste water treatment plant) and 石莊污水處理廠 (Shizhuang waste water treatment plant) situated in Jiangyin City, the PRC, including all constructions, structures, facilities, equipments and other assets in connection therewith;
<b>“Qing Yuan Waste Water Treatment Plants Transfer Agreement”</b>	agreement between the Project Company, Everbright Wuxi, Xin Guo Lian and Jiangyin Qing Yuan in relation to the transfer of the Qing Yuan Waste Water Treatment Plants to the Project Company;
<b>“Shareholders”</b>	Shareholders of the Company;
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited;
<b>“subsidiaries”</b>	has the meaning ascribed to it under the Listing Rules;

<b>“Term”</b>	a period of 30 years commencing from the first business day after the first installment of the aggregate consideration for the Transferred Assets, i.e. RMB356,587,560 (equivalent to approximately HK\$368,711,000), has been paid by the Project Company pursuant to the payment terms of each of the Asset Transfer Agreements;
<b>“Transferred Assets”</b>	the assets relating to the Qing Yuan Waste Water Treatment Plants to be transferred by Jiangyin Qing Yuan to the Project Company pursuant to the Qing Yuan Waste Water Treatment Plants Transfer Agreement and the assets relating to the Chengshi Waste Water Treatment Plant to be transferred by the Jiangyin Urban Sewage to the Project Company pursuant to the Chengshi Waste Water Treatment Plant Transfer Agreement;
<b>“Waste Water Treatment Plants”</b>	Qing Yuan Waste Water Treatment Plants and Chengshi Waste Water Treatment Plant;
<b>“Waste Water Treatment Service Agreement”</b>	a waste water treatment service agreement entered into on 16 November 2007 between Jiangyin Construction Bureau, Jiangyin Finance Bureau, Xin Guo Lian, Everbright Wuxi and the Project Company in respect of the provision of waste water treatment service by the Project Company;
<b>“Xin Guo Lian”</b>	江陰市新國聯投資發展有限公司 (Jiangyin City Xin Guo Lian Investment and Development Co., Ltd.*), a company established in Jiangyin City, Jiangsu Province, the PRC and owned by Jiangyin Finance Bureau and Jiangyin State-owned Assets Commission as to 14% and 86%, respectively;
<b>“HK\$”</b>	Hong Kong dollars, the lawful currency of Hong Kong; and
<b>“RMB”</b>	Renminbi, the lawful currency of the PRC.

*\* For identification purpose only.*

*For the purposes of illustration only and unless otherwise stated, the conversion of RMB into HK\$ is based on the exchange rate of RMB 1.0 = HK\$1.034. Such conversion should not be construed as a representation that the amount in question has been, could have been or could be converted at any particular rate or at all.*

By order of the Board  
**China Everbright International Limited**  
**CHEN Xiaoping**  
Chief Executive Officer

Hong Kong, 19 November 2007

As at the date of this announcement, the Board is composed of the following members:

*Executive Directors*

Mr. TANG Shuangning (Chairman)  
Mr. ZANG Qiutao (Vice-chairman)  
Mr. LI Xueming (Vice-chairman)  
Mr. CHEN Xiaoping (Chief Executive Officer)  
Mr. FAN Yan Hok, Philip  
Mr. WONG Kam Chung, Raymond  
Mr. CHEN Shuang  
Ms. ZHANG Weiyun

*Independent non-executive Directors*

Sir AKERS-JONES David  
Mr. LI Kwok Sing, Aubrey  
Mr. MAR Selwyn