

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisor.

If you have sold or transferred all your shares in **China Everbright International Limited**, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



**CHINA EVERBRIGHT INTERNATIONAL LIMITED**

**中國光大國際有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 257)**

**DISCLOSEABLE TRANSACTION  
AND  
CONTINUING CONNECTED TRANSACTIONS**

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

**Independent Financial Adviser to  
the Independent Board Committee and the Shareholders**



**First Shanghai Capital Limited**

A letter from the Independent Board Committee is set out on pages 20 to 21 of this circular.

A letter from First Shanghai containing its advice to the Independent Board Committee and the Shareholders on the Continuing Connected Transactions is set out on pages 22 to 31 of this circular.

10 December 2007

# CONTENTS

	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b>	
Introduction .....	6
Background .....	7
Joint Venture Agreement .....	8
Qingyuan Waste Water Treatment Plants Transfer Agreement .....	10
Chengshi Waste Water Treatment Plant Transfer Agreement .....	11
Concession Right Agreement .....	13
Waste Water Treatment Service Agreement .....	14
Information about the Group and Counter-parties .....	15
Reasons and Benefits of the Asset Transfer and	
Entering into the Project Agreements .....	16
Financial Effects of the Asset Transfer and	
Entering into the Project Agreements .....	17
Implications under the Listing Rules .....	17
Additional Information .....	19
<b>Letter from the Independent Board Committee</b> .....	20
<b>Letter from First Shanghai</b> .....	22
<b>Appendix – General Information</b> .....	32

## DEFINITIONS

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

“Announcement”	announcement of the Company dated 19 November 2007 in relation to the transfer of the Waste Water Treatment Plants in Jiangyin City, Jiangsu Province, the PRC;
“Annual Caps”	maximum annual values of each of the Continuing Connected Transactions for the three years ending 31 December 2010;
“Asset Transfer”	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;
“Asset Transfer Agreements”	collectively, the Qing Yuan Waste Water Treatment Plants Transfer Agreement and the Chengshi Waste Water Treatment Plant Transfer Agreement;
“Board”	the board of Directors of the Company;
“Chengshi Waste Water Treatment Plant”	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;
“Chengshi Waste Water Treatment Plant Transfer Agreement”	the 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;
“Company”	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;
“Concession Right Agreement”	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;

## DEFINITIONS

“connected persons”	has the meanings described to it under the Listing Rules;
“Continuing Connected Transactions”	continuing connected transactions between the Project Company and the connected persons of the Company as contemplated under the Concession Right Agreement and the Waste Water Treatment Service Agreement;
“Directors”	the directors of the Company;
“Everbright Wuxi”	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;
“First Shanghai”	First Shanghai Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the Independent Financial Adviser appointed to advise the Independent Board Committee and the Shareholders in relation to the Continuing Connected Transactions and the Annual Caps;
“Grant Sherman”	Grant Sherman Appraisal Limited, an independent qualified valuer;
“Group”	the Company and its subsidiaries;
“Independent Board Committee”	the independent board committee of the Board consisting of all the independent non-executive Directors;
“Independent Financial Adviser”	First Shanghai Capital Limited, an independent financial adviser appointed to advise the Independent Board Committee and the Shareholders in relation to the Continuing Connected Transactions and the Annual Caps;
“Independent Third Parties”	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;
“Jiangyin Construction Bureau”	江陰市建設局 (Jiangyin Construction Bureau*);
“Jiangyin Finance Bureau”	江陰市財政局 (Jiangyin Finance Bureau*);

\* For identification purpose only.

## DEFINITIONS

“Jiangyin Qing Yuan”	江陰清源水處理有限公司 (Qing Yuan Water Treatment Co., Ltd., Jiangyin);
“Jiangyin State-owned Assets Commission”	江陰市國有資產管理辦公室 (State-owned Assets Supervision and Administration Commission of Jiangyin People’s Government*);
“Jiangyin Urban Sewage”	江陰市城市污水處理有限公司 (Jiangyin Urban Sewage Treatment Co., Ltd);
“Joint Venture Agreement”	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;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Latest Practicable Date”	5 December 2007, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China;
“Project”	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;
“Project Agreements”	the Asset Transfer Agreements, the Concession Right Agreement and the Waste Water Treatment Service Agreement;
“Project Company”	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;

\* For identification purpose only.

## DEFINITIONS

“Qing Yuan Waste Water Treatment Plants”	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;
“Qing Yuan Waste Water Treatment Plants Transfer Agreement”	the 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;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shareholders”	shareholders of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiaries”	has the meaning ascribed to it under the Listing Rules;
“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;
“Transferred Assets”	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;
“Waste Water Treatment Plants”	Qing Yuan Waste Water Treatment Plants and Chengshi Waste Water Treatment Plant;
“Waste Water Treatment Service Agreement”	the 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;

## DEFINITIONS

“Xin Guo Lian”	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;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong; and
“RMB”	Renminbi, the lawful currency of the PRC.

*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.*

\* For identification purpose only.

LETTER FROM THE BOARD



**CHINA EVERBRIGHT INTERNATIONAL LIMITED**

**中國光大國際有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 257)**

*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  
Ms. ZHANG Weiyun

*Registered Office:*

Room 2703, 27th Floor  
Far East Finance Centre  
16 Harcourt Road  
Hong Kong

*Independent non-executive Directors:*

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

10 December 2007

*To the Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION AND  
CONTINUING CONNECTED TRANSACTIONS  
ASSET TRANSFER OF WASTE WATER TREATMENT PLANTS IN  
JIANGYIN CITY, JIANGSU PROVINCE, THE PRC**

**INTRODUCTION**

Reference is made to an announcement of the Company dated 31 October 2007 in relation to the unusual price and turnover movement of the Shares of the Company and the Announcement in relation to the captioned matter.

On 19 November 2007, the Board announced in the Announcement 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

## LETTER FROM THE BOARD

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 consideration payable under the Asset Transfer Agreements exceed 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.

As the Concession Right Agreement and the Waste Water Treatment Service Agreement were entered into between the Company, the Project Company and connected persons of the Company, 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.

The purpose of this circular is to provide Shareholders with further details of, among other things, the Asset Transfer and the Continuing Connected Transactions.

### **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. 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.

## LETTER FROM THE BOARD

### 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.

## LETTER FROM THE BOARD

- Capital contribution:** 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.
- Board of directors:** 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.
- Supervisory committee:** 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.
- Operations and Management Department:** 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.
- Profit Distribution:** 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.
- Governing law:** The laws of the PRC
- Accounting treatment of the Project Company:** 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.

## LETTER FROM THE BOARD

### QINGYUAN WASTE WATER TREATMENT PLANTS TRANSFER AGREEMENT

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

- Date:** 16 November 2007
- Parties:** (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.

## LETTER FROM THE BOARD

<b>Completion of the Asset Transfer:</b>	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.
<b>Legal owner:</b>	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.
<b>Accounting treatment of the Qing Yuan Waste Water Treatment Plants:</b>	The Group's accounting 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:

<b>Date:</b>	16 November 2007
<b>Parties:</b>	(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)

## LETTER FROM THE BOARD

**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.

**Completion of the Transfer of the Chengshi Waste Water Treatment Plant:**

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.

**Legal owner:**

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.

## LETTER FROM THE BOARD

**Accounting treatment of the Chengshi Waste Water Treatment Plant:** The Group's accounting 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

**Date:** 16 November 2007

**Parties:** (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)

**Subject matter:** 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.

**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.

## LETTER FROM THE BOARD

### 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 waste 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.
- 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 treatment 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 treatment service charges shall be calculated based on the volume of waste water to be treated and shall be payable monthly in cash.

## LETTER FROM THE BOARD

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

	For the year ending 31 December 2008	For the year ending 31 December 2009	For the year ending 31 December 2010
RMB	<u>140,000,000</u>	<u>161,000,000</u>	<u>161,000,000</u>

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.

### INFORMATION ABOUT THE GROUP AND COUNTER-PARTIES

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.

## LETTER FROM THE BOARD

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 circular. 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, being RMB624,028,230 (equivalent to approximately HK\$645,245,000), was determined through arm's length negotiations among the parties thereto after considering a number of factors including the economic benefits for entering into the Concession Right Agreement and the Waste Water Treatment Service Agreement, the future prospect for the Company to further invest in the sewage piping network in Jiangsu Province and a good foundation for getting other projects along Taihu Lake. The valuation of the Transferred Assets was RMB635,300,000 (equivalent to approximately HK\$656,900,000) based on the appraisal

## LETTER FROM THE BOARD

report dated 15 November 2007 prepared by Grant Sherman, an independent qualified valuer appointed by the Company, on the basis of fair market value. 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 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.

### **FINANCIAL EFFECTS OF THE ASSET TRANSFER AND ENTERING INTO THE PROJECT AGREEMENTS**

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.

It is expected that the Group's non-current assets will increase by approximately RMB624,028,230 (equivalent to approximately HK\$645,245,000) following completion of the Asset Transfer, whilst current assets will decrease and long-term liabilities will increase depending on the proportion of the consideration funded from internal resources and external finance. The Company believes that the Asset Transfer will have a positive effect on the earnings of the Group subsequent to completion of the Asset Transfer, although the quantum will depend on the final terms for the provision of services and cannot be ascertained at present.

### **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, and will accordingly be subject to reporting and announcement under the Listing Rules but no shareholders' approval is required. This document constitutes the circular which the Company is required to send to the Shareholders pursuant to the Listing Rules in respect of the Asset Transfer.

## LETTER FROM THE BOARD

### 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 meanings 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. Guildford Limited, the intermediate controlling Shareholder which holds approximately 56.18% 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 for, and the Stock Exchange has granted, a waiver under Rule 14A.43 of the Listing Rules from convening a Shareholders' meeting to approve the Continuing Connected Transactions contemplated thereby.

First Shanghai, the independent financial adviser to the Independent Board Committee and the Shareholders, has been appointed by the Company to advise the Independent Board Committee and the Shareholders as to whether the Continuing Connected Transactions 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 Annual Caps for the Continuing Connected Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## LETTER FROM THE BOARD

The Independent Board Committee has been established to give an opinion to the Shareholders in connection with the terms of the Continuing Connected Transactions and the Annual Caps after taking into account the opinion to be issued by the Independent Financial Adviser.

### ADDITIONAL INFORMATION

Your attention is drawn to the letter of the Independent Board Committee set out on pages 20 to 21 of this circular, the letter from First Shanghai set out on pages 22 to 31 of this circular and the additional information set out in the appendix to this circular.

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

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

*The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Shareholders in relation to the Continuing Connected Transactions and the Annual Caps.*



### CHINA EVERBRIGHT INTERNATIONAL LIMITED

中國光大國際有限公司

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 257)**

10 December 2007

To the Shareholders

Dear Sir or Madam,

#### CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 10 December 2007 (the “Circular”), of which this letter forms part. Defined terms used herein shall have the same meanings as those defined in the Circular unless otherwise specified.

The Concession Right Agreement and the Waste Water Treatment Service Agreement were entered into between the Company and connected persons of the Company. Accordingly, 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. The Concession Right Agreement, the Waste Water Treatment Service Agreement and the Continuing Connected Transactions contemplated thereby are subject to the reporting, announcement and independent Shareholders’ approval requirements.

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. Guildford Limited, the intermediate controlling Shareholder which holds approximately 56.18% of the issued share capital of the Company, has approved in writing the Concession Right Agreement, 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 for, and the Stock Exchange has granted, a waiver under Rule 14A.43 of the Listing Rules from convening a Shareholders’ meeting to approve the Continuing Connected Transactions contemplated thereby.

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We have been appointed as members of the Independent Board Committee to consider the Continuing Connected Transactions and to advise the Shareholders as to the fairness and reasonableness of the terms of the Concession Right Agreement, the Waste Water Treatment Service Agreement and the Annual Caps related thereto. First Shanghai has been appointed to advise the Independent Board Committee and the Shareholders in this regard.

We wish to draw your attention to (i) the letter from the Board, as set out on pages 6 to 19 of the Circular, which provides the terms of, and the reasons for entering into, the Concession Right Agreement and the Waste Water Treatment Service Agreement, and (ii) the letter from First Shanghai to the Independent Board Committee and the Shareholders which contains its opinion in respect of the Continuing Connected Transactions and the Annual Caps as set out on pages 22 to 31 of this circular.

After taking into consideration the advice from First Shanghai, we concur with the view of First Shanghai and consider the Continuing Connected Transactions (including the Annual Caps for the three years ending 31 December 2010) are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Shareholders are concerned. If a general meeting of the Shareholders were to be convened, we would recommend that the Shareholders should vote in favour of the resolutions to approve the Concession Right Agreement, the Waste Water Treatment Service Agreement, the Continuing Connected Transactions and the Annual Caps for the three years ending 31 December 2010.

Yours faithfully,  
*Independent Board Committee*

**Sir David AKERS-JONES**  
*Independent*  
*Non-executive Director*

**LI Kwok Sing, Aubrey**  
*Independent*  
*Non-executive Director*

**MAR Selwyn**  
*Independent*  
*Non-executive Director*

## LETTER FROM FIRST SHANGHAI

*The following is the text of a letter received from First Shanghai setting out its advice to the Independent Board Committee and the Shareholders in respect of the Continuing Connected Transactions for inclusion in this circular.*



### FIRST SHANGHAI CAPITAL LIMITED

19th Floor, Wing On House  
71 Des Voeux Road Central  
Hong Kong

10 December 2007

*To the Independent Board Committee and the Shareholders*  
China Everbright International Limited  
Room 2703, 27th Floor  
Far East Finance Centre  
16 Harcourt Road  
Hong Kong

Dear Sir or Madam,

### CONTINUING CONNECTED TRANSACTIONS

#### INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Shareholders in respect of the Continuing Connected Transactions, details of which are set out in the circular of the Company dated 10 December 2007 (the "Circular") to the Shareholders of which this letter forms a part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Circular.

As disclosed in the Announcement, on 16 November 2007, Everbright Wuxi entered into the Joint Venture Agreement with Xin Guo Lian in relation to the establishment of the Project Company. On the same day, Everbright Wuxi entered into the Asset Transfer Agreements with the Project Company, Jiangyin Qing Yuan, 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).

On the same day, the Project Company also entered into the Concession Right Agreement and the Waste Water Treatment Service Agreement with Everbright Wuxi, Xin Guo Lian, Jiangyin Construction Bureau and Jiangyin Finance Bureau (in the case of the Waste Water Treatment Service Agreement). As the Project Company will be owned by Everbright Wuxi as to 70% and Xin Guo Lian (a state-owned company) as to 30%, each of Xin Guo Lian and the Jiangyin People's Government will become a connected person of the Company (as defined in the Listing Rules) and 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.

## LETTER FROM FIRST SHANGHAI

To the best of the Company's knowledge, information and belief and having made all reasonable enquiries, the counter-parties to the Concession Right Agreement and the Waste Water Treatment Service Agreement 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 prior to the entering into of these agreements.

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. As no Shareholders have any interest in the Concession Right Agreement and/or the Waste Water Treatment Service Agreement, no Shareholder is required to abstain from voting in the general meeting of the Company for approving the Concession Right Agreement and the Waste Water Treatment Service Agreement (including the Annual Caps).

The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 14A.43 of the Listing Rules from convening a Shareholders' meeting to approve the Continuing Connected Transactions. on the basis that (1) Guildford Limited, the intermediate controlling Shareholder which holds approximately 56.18% 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; and (2) no Shareholders is required to abstain from voting at the general meeting, if one was to be held, to approve the Continuing Connected Transactions.

The Independent Board Committee, comprising the independent non-executive Directors namely Sir David Akers-Jones, Mr. Li Kwok Sing, Aubrey and Mr. Mar Selwyn, has been appointed to advise the Shareholders in relation to the terms of the Concession Right Agreement, Waste Water Treatment Service Agreement, the Continuing Connected Transactions contemplated thereunder and the proposed Annual Caps. We, First Shanghai Capital Limited, have been appointed as the independent financial adviser to the Independent Board Committee and the Shareholders in this regard.

In putting forth our opinion and recommendation, we have relied on the accuracy of the information and representations included in the Circular and provided to us by the Directors and the management of the Company, and have assumed that all such information and representations made or referred to in the Circular and provided to us by the Directors and the management of the Company were true at the time they were made and continued to be true as at the date hereof. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiry. We have no reason to doubt the truth, accuracy and completeness of the

## LETTER FROM FIRST SHANGHAI

information and representations provided to us by the Directors and have been advised by the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular. We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors nor have we conducted any form of investigation into the business, affairs or future prospects of the Group.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations as to the fairness and reasonableness of the terms of the Concession Right Agreement and the Waste Water Treatment Service Agreement and the proposed Annual Caps, we have taken into account the following principal factors and reasons:

**1. Background to and reasons for the entering into of the Concession Right Agreement and the Waste Water Treatment Service Agreement**

The current principal activities of the Group are environmental protection investment, infrastructure operation, property investment and project management in the PRC. The Group has been focusing on its environmental protection business since 2002. For the year ended 31 December 2006, the environmental protection business of the Group has become its key revenue generator and contributed approximately 62% of the turnover of the Group, of which approximately 79% were generated from the waste water treatment business. Currently, the Group has participated in waste water treatment projects in Qingdao City, Zibo City and Jinan City in Shandong Province in the PRC.

As detailed in the "Letter from the Board" in the Circular, development of urban sewage treatment has been one of the key development goals of the Group's environmental protection business. Looking forward, as stated in the interim report of the Company for the six months ended 30 June 2007, the Group will strive to increase its investments in the environmental protection business with a view to enhance the returns to the Shareholders.

On 16 November 2007, Everbright Wuxi entered into the Joint Venture Agreement with Xin Guo Lian in relation to the establishment of the Project Company. On the same day, Everbright Wuxi, Xin Guo Lian and the Project Company also entered into (i) the Qing Yuan Waste Water Treatment Plants Transfer Agreement and (ii) the Chengshi Waste Water Treatment Plant Transfer Agreement with, among others, the government authorities in the Jiangsu Province in relation to the purchases of the Qing Yuan Waste Water Treatment Plants and the Chengshi Waste Water Treatment Plant at a total consideration of RMB624,028,230 (equivalent to approximately HK\$645,245,000).

## LETTER FROM FIRST SHANGHAI

On the same day, Everbright Wuxi, Xin Guo Lian, Jiangyin Construction Bureau and Jiangyin Finance Bureau (in the case of the Waste Water Treatment Service Agreement) entered into (i) 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; and (ii) the Waste Water Treatment Service Agreement in relation to the provision of waste water treatment service in certain specified areas in Jiangyin City, Jiangsu Province, the PRC to the Jiangyin Construction Bureau by the Project Company.

The entering into of the Concession Right Agreement and the Waste Water Treatment Service Agreement provide an opportunity for the Group to expand its waster water treatment business into Jiangsu Province where the Directors expect to have excellent development potential given the rapid economic growth in the region.

In light of the current principal activities and business strategies of the Group, we consider that the Concession Right Agreement and the Waste Water Treatment Service Agreement have been entered into in the ordinary and usual course of business of the Group.

### **2. Principal terms of the Continuing Connected Transactions**

#### *Concession Right Agreement*

The Concession Right Agreement was entered into for a period of 30 years, pursuant to which the Project Company has been granted an exclusive right to, among other things, 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.

The Concession Right Agreement will commence 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*

The Waste Water Treatment Service Agreement was entered into for a period of 30 years, pursuant to which Jiangyin Construction Bureau will engage the Project Company to, among others, operate the Waste Water Treatment Plants, to provide waste water treatment services in certain specified areas in Jiangyin City, Jiangsu Province, the PRC. Jiangyin Construction Bureau will be responsible for supplying waste water to the Project Company and will collect the treated waste water at discharge points in accordance with the terms of the Waste Water Treatment Service Agreement.

## LETTER FROM FIRST SHANGHAI

Pursuant to the Waste Water Treatment Service Agreement, Jiangyin Finance Bureau will pay to the Project Company a waste water treatment service charge (the "Service Charge") of RMB2.1 per cubic metre of waste water being treated.

Pursuant to the Waste Water Treatment Service Agreement, the minimum projected daily volume of the supply of waste water from Jiangyin Construction Bureau (the "Minimum Projected Daily Volume") is estimated to be approximately 86,300 cubic metres for the first year of operation, approximately 135,300 cubic metres for the second year of operation and approximately 170,500 cubic metres for the third year of operation. Jiangyin Construction Bureau is required to pay to the Project Company a Service Charge of RMB2.1 per cubic metre of waste water being treated from 2008 to 2010 on a monthly basis. In the event that the waste water being treated by the Waste Water Treatment Plants falls short of the Minimum Projected Daily Volume, Jiangyin Construction Bureau will be required to pay the Service Charge based on the Minimum Projected Daily Volume. In the event the waste water being treated by the Waste Water Treatment Plants exceeds the Minimum Projected Daily Volume, the excess waste water will be charged at a discounted rate.

In addition, pursuant to the terms of the Waste Water Treatment Service Agreement, the Service Charge will be adjusted every two years after the completion of the expansion of the waste water treatment plant in Chengxi region. We were advised by the Directors that the expansion of this waste water treatment plant is expected to be completed in 2008 or 2009.

To assess whether the Service Charge per cubic metre under the Waste Water Treatment Service Agreement are fair and reasonable, we have identified five waste water treatment plants operated in the PRC (the "Comparable Plants") by companies whose shares are listed on the Stock Exchange. We have obtained information from the website of the Stock Exchange regarding a waste water treatment plant in Zhuozhou City (the "Zhuozhou Plant") operated by Interchina Holdings Company Limited, and four waste water treatment plants operated by Tianjin Capital Environmental Protection Company Limited in Hangzhou City (the "Hangzhou Plant") and Tianjin City, namely the Jizhuangzi Plant (the "Jizhuangzi Plant"), Xianyanglu Plant (the "Xianyanglu Plant") and Beicang Plant (the "Beicang Plant").

## LETTER FROM FIRST SHANGHAI

The table below sets out a summary of the Comparable Plants and an analysis of their Service Charges:

Province/city	Comparable Plants	Service Charge per cubic metre <i>RMB</i>
Hebei	Zhuozhou Plant	0.75
Zhejiang	Hangzhou Plant	0.836
Tianjin	Jizhuangzi Plant	1.93
Tianjin	Xianyanglu Plant	1.93
Tianjin	Beicang Plant	1.93
<b>Maximum</b>		1.93
<b>Average</b>		1.48
<b>Median</b>		1.93
<b>Minimum</b>		0.75
<i>Jiangsu</i>	<i>The Waste Water Treatment Plants</i>	2.1

As shown in the table above, the Service Charges of the Comparable Plants ranged from RMB0.75 to RMB1.93 per cubic metre, with an average charge of RMB1.48 per cubic metre. The Service Charge of the Waste Water Treatment Service Agreement of RMB2.1 per cubic metre is above the Service Charges of the Comparable Plants. Having considered the Waste Water Treatment Plants are located in Jiangsu Province, where there is an increasing concern for environmental protection because of the contamination of the Taihu Lake, we are of the view that the Service Charge in excess of those of the Comparable Plants are fair and reasonable and the entering into of these agreements are in the interests of the Shareholders as a whole.

Based on the above, and considering that the counter-parties to the Continuing Connected Transactions are Independent Third Parties prior to entering of the Project Agreements, we are of the view that the terms of the Concession Right Agreement and Waste Water Treatment Service Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## LETTER FROM FIRST SHANGHAI

### 3. Basis in arriving at the Annual Caps

The table below sets out the proposed Annual Caps relating to the Waste Water Treatment Service Agreement for the three years ending 31 December 2010:

	For the year ending 31 December 2008	For the year ending 31 December 2009	For the year ending 31 December 2010
Proposed Annual Caps ( <i>RMB</i> )	<u>140,000,000</u>	<u>161,000,000</u>	<u>161,000,000</u>

In assessing the reasonableness of the Annual Caps, we have discussed with the Directors the basis considered in setting the Annual Caps. The Directors advised us that the Annual Caps have been determined on the basis of the aggregate estimated maximum annual capacity of the amount of waste water which can be treated by the Waste Water Treatment Plants and the Service Charge per cubic metre payable by Jiangyin Construction Bureau to the Project Company as agreed for under the Waste Water Treatment Service Agreement.

In evaluating the aggregate estimated maximum annual capacity of the amount of waste water to be treated by the Waste Water Treatment Plants, we understand that such estimates have been determined based on the designed daily capacity for the four Waste Water Treatment Plants of approximately 165,000 cubic metres in aggregate for the year 2008 and approximately 190,000 cubic metres in aggregate for each of the years 2009 and 2010 plus a moderate buffer of about 10%, respectively. As mentioned above, the expansion plan of the waste water treatment plant in Chengxi region is expected to be completed in about 2008 or 2009. As a result, the aggregate designed daily capacity for the four Waste Water Treatment Plants will increase from 2008 or 2009 onwards.

Having considered that (i) the Minimum Projected Daily Volume is the least usage committed by Jiangyin Construction Bureau; (ii) the Company's internal projection of daily treatment volume to be close to the designed daily capacity; (iii) the increasing concern for environmental protection as a result of the contamination of the Taihu Lake which would increase the demand of waste water treatment services within the region; and (iv) the expansion of the waste water treatment plant in Chengxi region which demonstrate the increasing demand of waste water treatment services within the region, we consider it is reasonable to calculate the Annual Caps based on the designed manufacture capacity of the Waste Water Treatment Plants. As to the buffer factored in the calculation of the Annual Caps, it provides flexibility for the Group to cater for any potential increase in the capacity of the Waste Water Treatment Plants in the future.

Based on the above, we are of the view that the Annual Caps have been reasonably determined by the Company and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## LETTER FROM FIRST SHANGHAI

Shareholders should note that the proposed Annual Caps should not be construed as an assurance or forecast by the Group of its future revenue.

#### **4. Reasons for the terms of the Continuing Connected Transactions in excess of three years**

In assessing the reasonableness for the Company entering into the Continuing Connected Transactions in excess of three years as required by the Listing Rules, we have discussed with the Directors the rationale for the duration of the Continuing Connected Transactions. The entering into of the Asset Transfer Agreements, the Concession Right Agreement and the Waste Water Treatment Service Agreement with the Jiangyin People's Government constitute a transfer-operate-transfer (TOT) arrangement, under which the assets are to be transferred back to the government at nil consideration upon the expiry of the concession right period. It is an industry practice that the duration of the Concession Right Agreement and the Waste Water Treatment Service Agreement are coterminous (or as nearly as possible) under a TOT arrangement. Furthermore, as huge capital resources are required to acquire, operate and maintain the Waste Water Treatment Plants, the exclusive right granted under the Concession Right Agreement is necessary for the Group to operate and derive profit from the Waste Water Treatment Plants. Given the substantial capital commitments required in the waste water treatment industry, the Directors are of the view that it is reasonable for the Group to enter into the Concession Right Agreement and the Waste Water Treatment Service Agreement for a term of more than three years. Therefore, we are of the opinion that a period longer than three years is required for the Group to lock-in the return from the operation of the Waste Water Treatment Plants.

In addition to the above, we have also reviewed the concession right agreements and waste water treatment services agreements entered into by the Group in respect to waste water treatment plants operated by the Group in other cities within the Shandong Province of the PRC, including Qingdao City, Zibo City and Jinan City, and noted that the terms of these agreements are between 25 years to 30 years.

In light of the above, we are of the opinion that it is normal business practice for such Concession Right Agreement and Waste Water Treatment Service Agreement to be of a term of more than three years.

#### **5. Annual review requirements under the Listing Rules**

The Continuing Connected Transactions are subject to a number of annual review requirements under the Listing Rules which include, among other things:

- (i) the Continuing Connected Transactions for the three years ending 31 December 2010 will not exceed their respective Annual Caps;

## LETTER FROM FIRST SHANGHAI

- (ii) the independent non-executive Directors must review the Continuing Connected Transactions and confirm in the Company's annual report and accounts that the Continuing Connected Transactions have been entered into (a) in the ordinary and usual course of business of the Company; (b) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from Independent Third Parties; and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (iii) the auditors of the Company will, in accordance with Rule 14A.38 of the Listing Rules, review the Continuing Connected Transactions and confirm the same in a letter to the Directors (a copy of which will be provided to the Stock Exchange at least 10 business days prior to the bulk printing of the annual report of the Company) in respect of each of the three years ending 31 December 2010, during which the Continuing Connected Transactions have been conducted;
- (iv) the Company will allow and will procure that the other parties to the Continuing Connected Transactions will provide the auditors of the Company with sufficient access to the relevant records of the Continuing Connected Transactions for the purpose of the auditors of the Company's review as referred to in paragraph (iii) above. The Directors must state in the annual report whether the auditors have confirmed the matters stated in Rule 14A.38 of the Listing Rules; and
- (v) the Company will comply with the applicable provisions of the Listing Rules governing connected transactions in the event that the total amount of the Continuing Connected Transactions exceeds the Annual Caps, or that there is any material amendment to the terms of the Continuing Connected Transactions.

In light of the annual review requirements attached to the Continuing Connected Transactions, in particular, (i) the restriction on the value of the Continuing Connected Transactions by way of the Annual Caps; and (ii) the ongoing review by the independent non-executive Directors and the auditors of the Company of the terms of the Continuing Connected Transactions and the Annual Caps not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the Continuing Connected Transactions and safeguard the interests of the Shareholders.

## LETTER FROM FIRST SHANGHAI

### RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that the Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole and that the terms of the Concession Right Agreement and the Waste Water Treatment Service Agreement and the proposed Annual Caps are fair and reasonable in so far as the Shareholders are concerned. If a general meeting of the Shareholders is to be held for the purpose of considering and approving the Continuing Connected Transactions and the Annual Caps, we would recommend the Shareholders to vote in favour of the ordinary resolution(s) in respect of approving the Concession Right Agreement, Waste Water Treatment Service Agreement, the Continuing Connected Transactions contemplated thereunder and the proposed Annual Caps.

Yours faithfully,

For and on behalf of

**First Shanghai Capital Limited**

**Helen Zee**

*Managing Director*

**Fanny Lee**

*Director*

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement contained in this circular misleading.

## 2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in the Listing Rules, were as follows:

### (a) Long positions in the shares of the Company

Name of Director	Capacity	Nature of interests	Number of ordinary Shares held	Approximate % of the Company's total issued share capital (%)
FAN Yan Hok, Philip	Beneficial owner	Personal	8,000,000	0.26
WONG Kam Chung, Raymond	Beneficial owner	Personal	1,500,000	0.05
LI Kwok Sing, Aubrey	Beneficial owner	Personal	1,000,000	0.03

## (b) Long positions in the underlying shares of the Company

Name of Director	Date of grant	Exercise price (HK\$)	Exercise period	No. of ordinary Shares pursuant to share options	Approximate % of the Company's total issued share capital (%)
ZANG Qiutao	03.08.2006	0.850	03.08.2007 – 25.05.2013 (Note 2)	4,000,000	0.13
LI Xueming	29.09.2003	0.296	29.03.2004 – 25.05.2013 (Note 1)	18,000,000	0.58
	03.08.2006	0.850	03.08.2007 – 25.05.2013 (Note 2)	4,000,000	0.13
CHEN Xiaoping	29.09.2003	0.296	29.03.2004 – 25.05.2013 (Note 1)	18,000,000	0.58
	03.08.2006	0.850	03.08.2007 – 25.05.2013 (Note 2)	5,000,000	0.16
FAN Yan Hok, Philip	03.08.2006	0.850	03.08.2008 – 25.05.2013	2,000,000	0.06
WONG Kam Chung, Raymond	03.08.2006	0.850	03.08.2007 – 25.05.2013 (Note 2)	3,000,000	0.10
ZHANG Weiyun	29.09.2003	0.296	29.03.2004 – 25.05.2013 (Note 1)	4,000,000	0.13
	03.08.2006	0.850	03.08.2007 – 25.05.2013 (Note 2)	1,000,000	0.03
Sir David AKERS-JONES	29.09.2003	0.296	29.03.2004 – 25.05.2013 (Note 1)	1,000,000	0.03

Notes:

- (1) The option(s) relating to half of the total number of the underlying Shares indicated in the next column can be exercised during the period from 29 March 2004 to 25 May 2013, whilst the option(s) relating to the remaining half of the total number of the underlying Shares indicated in the next column can be exercised during the period from 29 September 2004 to 25 May 2013.
- (2) The option(s) relating to half of the total number of the underlying Shares indicated in the next column can be exercised during the period from 3 August 2007 to 25 May 2013, whilst the option(s) relating to the remaining half of the total number of the underlying Shares indicated in the next column can be exercised during the period from 3 August 2008 to 25 May 2013.

The table below shows the posts held by Directors in the Company and China Everbright Limited (“CEL”) respectively as at the Latest Practicable Date:

### **The Company**

<u>Name of Director</u>	<u>Posts held in the Company</u>
TANG Shuangning	Executive Director and Chairman
ZANG Qiutao	Executive Director and Vice-chairman

### **CEL**

<u>Name of Director</u>	<u>Posts held in CEL</u>
TANG Shuangning	Executive Director and Chairman
ZANG Qiutao	Executive Director and Deputy Chairman

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) to be entered in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in the Listing Rules.

### 3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, the following person or corporation (not being Director or chief executive of the Company), had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital, were as follows:

#### (a) Long positions in the shares of the Company

Name of substantial Shareholder	Capacity	Interests in Shares	Approximate % of the Company's total issued share capital (%)
China Everbright Holdings Company Limited ("CEH")	Beneficial owner (Note 1)	1,758,595,910	56.19

*Notes:*

- Out of the 1,758,595,910 Shares, 1,758,215,910 Shares are held by Guildford Limited ("Guildford"). Guildford is owned as to 55% by Datten Investments Limited ("Datten") and as to 45% by CEH. Datten is a wholly-owned subsidiary of CEH. The remaining 380,000 Shares are held by Everbright Investment & Management Limited ("EIM"), a wholly-owned subsidiary of CEH. Accordingly, CEH is deemed to be interested in the 1,758,215,910 Shares held by Guildford and the 380,000 Shares held by EIM.
- Mr. TANG Shuangning, Mr. ZANG Qiutao, Mr. LI Xueming and Mr. CHEN Xiaoping, four of the executive Directors, are also directors of CEH. Ms. ZHANG Weiyun, another executive Director, is also an employee of CEH.
- Mr. CHEN Xiaoping and Ms. ZHANG Weiyun, two of the executive Directors, are also directors of Guildford.
- Save as disclosed in notes 2 and 3 above, no Director or proposed Director (if any) is a director or employee of a company which as at the Latest Practicable Date had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

**(b) Long positions in the shares/interests of subsidiaries of the Company**

Name of subsidiary of the Company	Name of substantial shareholder	Number and class of shares held	Approximate % of shareholding /interest (%)
High Luxury Trading Limited	Mao Li Ching	49,000 ordinary shares	49
Greenway Venture Limited	CEH	20 shares	20
EB-VW HK Holding Company Limited	Veolia Water	4,284,272 ordinary shares	40
Qingdao EB-VW Waste Water Treatment Co. Ltd.*	Qingdao Municipal Drainage Company	–	40

\* Registered under the laws of the PRC as sino-foreign co-operative joint venture.

Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any other person who, had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or had any options in respect of such capital.

- (c)** So far as was known to the Directors, as at the Latest Practicable Date, no persons (other than members of the Group) were directly or indirectly interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of the following members of the Group (other than the Company).

#### 4. PROCEDURES FOR DEMANDING A POLL BY SHAREHOLDERS AT A GENERAL MEETING

Pursuant to the Listing Rules, any vote taken at a meeting held to seek approval of a connected transaction must be taken by poll. Accordingly, the resolution to be proposed at a general meeting in respect of the Continuing Connected Transactions and the Annual Caps were it to be convened shall be decided on poll. Set out below is the procedure by which the Shareholders may demand a poll pursuant to the constitutional document of the Company.

Pursuant to Article 56 of the articles of association of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on declaration of the result of the show of hands or on the withdrawal of any other demand of a poll) a poll is duly demanded or unless a poll is taken as may from time to time be required under the Listing Rules or under any other applicable laws, rules or regulations. Subject to the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), a poll may be demanded by:

- (a) the chairman of the meeting; or
- (b) at least three members present in person or by proxy and entitled to vote; or
- (c) any member or members present in person or by proxy and representing in aggregate not less than one-tenth of the total voting rights of all members having the right to attend and vote at the meeting; or
- (d) any member or members present in person or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

#### 5. DIRECTORS' INTERESTS IN CONTRACTS

- (a) As at the Latest Practicable Date, none of the Directors had entered, or was proposing to enter, into a service contract with any member of the Group which does not expire or is not determinable by the relevant member of the Group within one year without compensation, other than statutory compensation.
- (b) As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been, since 31 December 2006, being the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (c) As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting as at the date of this circular and which is significant in relation to the business of the Group.

## 6. LITIGATION

As at the Latest Practicable Date, the Directors are not aware of any member of the Group which is engaged in any litigation or arbitration proceedings of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any member of the Group.

## 7. COMPETING INTEREST

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or their respective associates had any interests in a business which competes or may compete, either directly or indirectly, with the business of the Group or any other conflicts of interests with the Group.

## 8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2006, being the date of the latest published audited financial statements of the Company.

## 9. EXPERTS

The following are the qualifications of the experts who have given opinion or advice which is contained in this circular:

<b>Name</b>	<b>Qualifications</b>
First Shanghai	A licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO
Grant Sherman	Independent qualified valuer

First Shanghai has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter or its name in the form and context in which they respectively appear.

Grant Sherman has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its advice with respect to the valuation of the Waste Water Treatment Plants or its name in the form and context in which they respectively appear.

Neither First Shanghai nor Grant Sherman has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Neither First Shanghai nor Grant Sherman has any direct or indirect interests in any assets which have been, since 31 December 2006 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed or by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

**10. GENERAL**

- (a) The registered office of the Company is located at Room 2703, 27th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (b) The share registrar and transfer office of the Company is Tricor Tengis Limited of 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (c) The secretary of the Company is Ms. POON Yuen Ling. Ms. Poon is an associate member of The Hong Kong Institute of Company Secretaries and The Institute of Chartered Secretaries and Administrators.
- (d) The qualified accountant of the Company is Mr. WONG Kam Chung, Raymond, an executive Director. Mr. Wong is a member of the Institute of Certified Public Accountants of Hong Kong.
- (e) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

**11. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at Paul, Hastings, Janofsky & Walker at 22nd Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong during normal business hours on any business day, from the date of this circular up to and including 24 December 2007.

- (a) the Joint Venture Agreement;
- (b) the Qing Yuan Waste Water Treatment Plants Transfer Agreement;
- (c) the Chengshi Waste Water Treatment Plant Transfer Agreement;
- (d) the Waste Water Treatment Service Agreement;
- (e) the Concession Right Agreement;
- (f) the letter from the Independent Board Committee, the text of which is set out under the section headed "Letter from the Independent Board Committee" of this circular;
- (g) the letter from First Shanghai, the text of which is set out under the section headed "Letter from First Shanghai" of this circular;
- (h) the consent letter from First Shanghai referred to in the paragraph headed "Experts" in this appendix; and
- (i) the consent letter from Grant Sherman referred to in the paragraph headed "Experts" in the appendix.