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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, a licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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: 257)**

**DISCLOSEABLE AND CONNECTED TRANSACTION**

**CONDITIONAL SALE OF  
THE ENTIRE ISSUED SHARE CAPITAL OF  
SINO VILLA HOLDINGS LIMITED  
AND  
RISELAND LIMITED**

**Independent financial adviser to  
the Independent Board Committee and the Independent Shareholders**



**First Shanghai Capital Limited**

A letter from the Independent Board Committee is set out on pages 13 to 14 of this circular. A letter from First Shanghai containing its advice to the Independent Board Committee and the Independent Shareholders in connection with the Transactions is set out on pages 15 to 24 of this circular.

A notice convening the Extraordinary General Meeting to be held at Gloucester Room, 2nd Floor, Mandarin Oriental Hong Kong, 5 Connaught Road, Central, Hong Kong on Thursday, 18 December 2008 at 10:00 a.m. is set out on pages 39 to 40 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof if you so wish.

1 December 2008

# CONTENTS

	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b>	
Introduction .....	4
The Sino Villa Agreement .....	5
The Riseland Agreement .....	7
Information on Sino Villa and the Properties .....	8
Information on Riseland .....	9
Information on the Group, China Everbright Holdings and Everbright Real Estate .....	10
Reasons for and benefits of entering into the Transactions .....	10
Implications under the Listing Rules .....	11
Extraordinary General Meeting .....	12
Recommendation .....	12
Additional information .....	12
<b>Letter from the Independent Board Committee</b> .....	13
<b>Letter from First Shanghai</b> .....	15
<b>Appendix I – Valuation Report</b> .....	25
<b>Appendix II – General information</b> .....	30
<b>Notice of Extraordinary General Meeting</b> .....	39

## DEFINITIONS

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

“Announcement”	announcement of the Company dated 11 November 2008;
“associate”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors of the Company;
“Business Day(s)”	a day (or days) on which licensed banks in Hong Kong are open for business, other than:  (i) a Saturday;  (ii) a Sunday; or  (iii) a day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.;
“China Everbright Holdings”	China Everbright Holdings Company Limited (中國光大集團有限公司), a company incorporated in Hong Kong and a controlling shareholder of the Company with approximately 56% interest in the issued share capital of the 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;
“connected persons”	has the meaning ascribed to it under the Listing Rules;
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules;
“Directors”	the directors of the Company;
“Everbright Real Estate”	Everbright Real Estate Limited (光大置業有限公司), a company incorporated in Hong Kong and a wholly-owned subsidiary of China Everbright Holdings;
“Extension Areas”	has the meaning defined in the sale and purchase agreement dated 20 May 1999 entered into by China Everbright Holdings as the then vendor and the Company as the then purchaser in relation to the sale and purchase of the entire issued share capital of, and shareholder’s loan to, Sino Villa;
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be convened and held at Gloucester Room, 2nd Floor, Mandarin Oriental Hong Kong, 5 Connaught Road, Central, Hong Kong on Thursday, 18 December 2008 at 10:00 a.m. for the Independent Shareholders to consider and, if thought fit, approve and/or ratify the Sino Villa Agreement and the Riseland Agreement and the Transactions;

## DEFINITIONS

“First Shanghai”	First Shanghai Capital Limited, a licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activity, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Transactions;
“Greater China Appraisal”	Greater China Appraisal Limited, an independent property valuer;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Independent Board Committee”	the independent board committee of the Board consisting of all the independent non-executive Directors;
“Independent Shareholders”	Shareholder(s), other than China Everbright Holdings and its associates, who are entitled to vote at the Extraordinary General Meeting pursuant to the Listing Rules;
“Latest Practicable Date”	26 November 2008, 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 of Hong Kong Limited;
“PRC”	the People’s Republic of China;
“Properties”	means the properties known as 中山花園大廈裙樓地下一層之一、之三及第一層、第二層以及第三層局部辦公室單位(Shop units at Sections 1 and 3 of Lower Ground Floor, all shop units on Levels 1 and 2 and certain office units on Level 3 of Zhongshan Garden)*, particulars of which are set out in the Sino Villa Agreement, and “Property” means each part or individual unit of the Properties including the Extension Areas;
“Riseland”	Riseland Limited (置升有限公司), a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company;

## DEFINITIONS

“Riseland Agreement”	the sale and purchase agreement entered into between the Company and Everbright Real Estate on 10 November 2008 in respect of the sale and purchase of the entire issued share capital of Riseland;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shareholders”	shareholders of the Company;
“shareholder’s loan”	the loan of approximately HK\$9,827,000 owed by Sino Villa to the Company as at 30 September 2008;
“Shares”	ordinary shares at par value of HK\$0.10 each in the share capital of the Company;
“Sino Villa”	Sino Villa Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company;
“Sino Villa Agreement”	the sale and purchase agreement entered into between the Company and Everbright Real Estate on 10 November 2008 in respect of the sale and purchase of the entire issued share capital of, and shareholder’s loan to, Sino Villa;
“sq.m.”	square meter(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiaries”	has the meaning ascribed to it under the Listing Rules;
“Transactions”	the discloseable and connected transaction contemplated under the Sino Villa Agreement and the Riseland Agreement;
“Zhongshan Property Management”	深圳中山物業管理有限公司 (Zhongshan Property Management Limited)*, a company incorporated in the PRC with limited liability being a sino-foreign equity joint venture and held as to 95% equity interest by Riseland; and
“%”	per cent.

*For the purpose of illustration only and unless otherwise specified in this circular, amounts denominated in RMB have been translated into HK\$ using an exchange rate of RMB 1.00 = HK\$1.1369. No representation is made that any amount in RMB could have been or could be converted at the above rate or at any other rates.*

\* For identification purpose only.



**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

1 December 2008

*To the Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION**

**CONDITIONAL SALE OF  
THE ENTIRE ISSUED SHARE CAPITAL OF  
SINO VILLA HOLDINGS LIMITED  
AND  
RISELAND LIMITED**

**INTRODUCTION**

Reference is made to the announcements of the Company dated 24 October 2008 and 10 November 2008 in which references to negotiations of the Transactions were made.

On 11 November 2008, the Board announced in the Announcement that, on 10 November 2008, the Company entered into the following agreements with Everbright Real Estate: (i) the Sino Villa Agreement, pursuant to which the Company has conditionally agreed to sell, and Everbright Real Estate has conditionally agreed to acquire, the entire issued share capital of, and shareholder's loan to, Sino Villa at a total consideration of

## LETTER FROM THE BOARD

approximately HK\$193,273,000; and (ii) the Riseland Agreement, pursuant to which the Company has conditionally agreed to sell, and Everbright Real Estate has conditionally agreed to acquire, the entire issued share capital of Riseland at a total consideration of approximately HK\$2,634,000, subject to the terms and conditions under the respective agreements.

Completion of both the Sino Villa Agreement and the Riseland Agreement is inter-conditional, and is each conditional upon, amongst other things, the fulfillment of certain conditions precedent set out in each of the Sino Villa Agreement and the Riseland Agreement. Following completion of both the Sino Villa Agreement and the Riseland Agreement, Sino Villa and Riseland will cease to be subsidiaries of the Company.

The transactions contemplated under the Sino Villa Agreement are aggregated with the transactions contemplated under the Riseland Agreement pursuant to Rules 14.22 and 14.23 of the Listing Rules. Such Transactions, when aggregated, constitute a discloseable transaction for the Company, on the basis that the calculation of the applicable ratios are within the range of 5% and 25%.

Everbright Real Estate is a wholly-owned subsidiary of China Everbright Holdings (which is the controlling shareholder of the Company) and hence is a connected person of the Company within the meaning of the Listing Rules. As such, the Transactions will constitute connected transaction for the Company under Chapter 14A of the Listing Rules and are subject to the approval of the Independent Shareholders on a vote taken by way of poll at the Extraordinary General Meeting and at which China Everbright Holdings and its associates will abstain from voting.

The purpose of this circular is (i) to provide Shareholders with further details of, amongst other things, the Transactions; and (ii) to give the Shareholders notice of the Extraordinary General Meeting and other information in accordance with the requirements of the Listing Rules.

First Shanghai has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in accordance with the Listing Rules regarding the Transactions.

### THE SINO VILLA AGREEMENT

The principal terms of the Sino Villa Agreement are set forth below:

- Date:** 10 November 2008
- Parties:**
- (1) Company as vendor
  - (2) Everbright Real Estate as purchaser
- Assets to be transferred:** The entire issued share capital of, and shareholder's loan to, Sino Villa subject to the terms and conditions contained in the Sino Villa Agreement.

## LETTER FROM THE BOARD

**Consideration and payment terms:**

The total cash consideration for the sale of the entire issued share capital of, and shareholder's loan to, Sino Villa is approximately HK\$193,273,000 which will be payable to the Company in the following manner:

- (a) as to approximately HK\$57,982,000, equivalent to 30% of the total consideration will be paid by Everbright Real Estate to the Company or as it may direct within ten (10) Business Days after the date of the Sino Villa Agreement; and
- (b) as to the balance in the sum of approximately HK\$135,291,000, equivalent to 70% of the total consideration, to be paid by Everbright Real Estate to the Company or as it may direct on completion.

**Basis of consideration:**

The consideration was arrived at after arm's length negotiations between the Company and Everbright Real Estate, having regard to the independent valuation of the Properties in the amount of HK\$193,273,000 as at 30 September 2008.

**Completion:**

Completion of the Sino Villa Agreement is inter-conditional with the completion of the Riseland Agreement and is each conditional upon, amongst other things, the fulfillment of certain conditions precedent, including without limitation, fulfillment by the Company of all the necessary requirements under the Listing Rules in respect of the transactions contemplated in the Sino Villa Agreement, including without limitation, the passing of an ordinary resolution by the Independent Shareholders at the Extraordinary General Meeting to approve the transactions referred to in the Sino Villa Agreement.

The Company will use its reasonable endeavours to fulfill, or procure the fulfillment of the conditions. If any of the conditions as set out in the Sino Villa Agreement is not fulfilled on or before 31 December 2008 (or such later date as may be agreed by the Company and Everbright Real Estate), the Sino Villa Agreement will become void and of no further effect.



## LETTER FROM THE BOARD

### THE RISELAND AGREEMENT

The principal terms of the Riseland Agreement are set forth below:

- Date:** 10 November 2008
- Parties:** (1) Company as vendor  
(2) Everbright Real Estate as purchaser
- Assets to be transferred:** The entire issued share capital of Riseland subject to the terms and conditions contained in the Riseland Agreement.
- Consideration and payment terms:** The total cash consideration for the sale of the entire issued share capital of Riseland is approximately HK\$2,634,000 which will be payable to the Company in the following manner:
- (a) as to approximately HK\$790,000, equivalent to 30% of the total consideration will be paid by Everbright Real Estate to the Company or as it may direct within ten (10) Business Days after the date of the Riseland Agreement; and
  - (b) as to the balance in the sum of approximately HK\$1,844,000, equivalent to 70% of the total consideration, to be paid by Everbright Real Estate to the Company or as it may direct on completion.
- Basis of consideration:** The consideration was arrived at after arm's length negotiations between the Company and Everbright Real Estate, having regard to the unaudited consolidated net asset value of Riseland as at 30 September 2008.

## LETTER FROM THE BOARD

### **Completion:**

Completion of the Riseland Agreement is inter-conditional with the completion of the Sino Villa Agreement and is each conditional upon, amongst other things, the fulfillment of certain conditions precedent, including without limitation, fulfillment by the Company of all the necessary requirements under the Listing Rules in respect of the transactions contemplated in the Riseland Agreement, including without limitation, the passing of an ordinary resolution by the Independent Shareholders at the Extraordinary General Meeting to approve the transactions referred to in the Riseland Agreement.

The Company will use its reasonable endeavours to fulfill, or procure the fulfillment of the conditions. If any of the conditions as set out in the Riseland Agreement is not fulfilled on or before 31 December 2008 (or such later date as may be agreed by the Company and Everbright Real Estate), the Riseland Agreement will become void and of no further effect.

**The Transactions are conditional and may or may not proceed. Accordingly, Shareholders and prospective investors are reminded to exercise extreme caution when trading in the Shares of the Company.**

### **INFORMATION ON SINO VILLA AND THE PROPERTIES**

Sino Villa is a company incorporated in the British Virgin Islands with limited liability and wholly-owned by the Company. Sino Villa's sole assets are the Properties, i.e. certain commercial properties situated at Zhongshan Garden (中山花園) ("**Zhongshan Garden**"). Zhongshan Garden is a commercial and residential project located in the central business district and at the junction of Huali Road and Fenghuang Road, Luohu District, Shenzhen, Guangdong Province, the PRC. Sino Villa has entrusted Zhongshan Property Management to operate and manage the leasing of the Properties on its behalf.

The Properties comprise four levels of commercial podium with total gross floor area of approximately 15,191 sq.m. The Properties are currently tenanted. The existing leases of the Properties were entered into by the tenants with Sino Villa.

Greater China Appraisal, an independent property valuer, has prepared a valuation report dated 1 December 2008 (the "**Valuation Report**") and valued the Properties for RMB170,000,000 (equivalent to approximately HK\$193,273,000) at market value as at 30 September 2008.

## LETTER FROM THE BOARD

The unaudited financial information of Sino Villa for the two years ended 31 December 2007 and 2006 are as follows:

	<b>Year ended 31 December 2007 <i>Unaudited HK\$</i></b>	<b>Year ended 31 December 2006 <i>Unaudited HK\$</i></b>
Net asset value	143,072,000	105,743,000
Net profit before taxation, extraordinary items and minority interest	23,963,000	14,296,000
Net profit after taxation, extraordinary items and minority interest	24,811,000	11,621,000

Upon completion of the Sino Villa Agreement, Sino Villa will cease to be a subsidiary of the Company.

### INFORMATION ON RISELAND

Riseland is an investment holding company incorporated in the British Virgin Islands with limited liability and wholly-owned by the Company. Riseland is the registered and beneficial owner of 95% interest in Zhongshan Property Management, a company incorporated in the PRC with limited liability being a sino-foreign equity joint venture. Sino Villa has entrusted Zhongshan Property Management to operate and manage the leasing of the Properties on its behalf.

The unaudited consolidated financial information of Riseland for the two years ended 31 December 2007 and 2006 are as follows:

	<b>Year ended 31 December 2007 <i>Unaudited HK\$</i></b>	<b>Year ended 31 December 2006 <i>Unaudited HK\$</i></b>
Net asset value attributable to equity shareholders	2,874,000	2,459,000
Net profit before taxation, extraordinary items and minority interest	280,000	484,000
Net profit after taxation, extraordinary items and minority interest	216,000	383,000

Upon completion of the Riseland Agreement, Riseland will cease to be a subsidiary of the Company.

## LETTER FROM THE BOARD

### INFORMATION ON THE GROUP, CHINA EVERBRIGHT HOLDINGS AND EVERBRIGHT REAL ESTATE

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.

At present, China Everbright Holdings is the controlling shareholder of the Company with approximately 56% interest in the issued share capital of the Company as of the Latest Practicable Date.

Everbright Real Estate is a company incorporated in Hong Kong and is a wholly-owned subsidiary of China Everbright Holdings. Everbright Real Estate is an investment holding company.

### REASONS FOR AND BENEFITS OF ENTERING INTO THE TRANSACTIONS

The disposal of the Properties held by Sino Villa and the business activities of Zhongshan Property Management would allow the Company to consolidate its resources in the development of its core business of environmental protection. This also represents an opportunity for the Company to realize its interest in the non-core property business at selling prices which are comparable to the prevailing market valuation.

The sale of the entire issued share capital of Sino Villa and Riseland as contemplated under the Sino Villa Agreement and the Riseland Agreement, respectively, will generate net sale proceeds (before expenses) of approximately HK\$195,907,000 for the Company. The Company currently intends to apply the sale proceeds for general working capital purposes.

The disposal of the entire interest in Sino Villa gives rise to an estimated gain on disposal (after tax but before expenses) of approximately HK\$21,744,000, based on (i) the consideration of approximately HK\$193,273,000; (ii) the unaudited net asset value of Sino Villa of approximately HK\$161,702,000 as at 30 September 2008; and (iii) the amount due from Sino Villa of approximately HK\$9,827,000 as at 30 September 2008. Such estimated gain on disposal, which is expected to be reflected in the Group's financial results for the year ending 31 December 2008, represents (i) approximately 6.43% of the audited consolidated net profit attributable to equity Shareholders of approximately HK\$337,932,000 for the year ended 31 December 2007, and (ii) approximately 16.20% of the unaudited consolidated net profit attributable to equity Shareholders of approximately HK\$134,208,000 for the six months ended 30 June 2008 respectively.

The disposal of the entire interest in Sino Villa will also increase the consolidated net asset value of the Group by approximately HK\$21,744,000, being the expected gain as a result of the disposal. Such amount represents an increase in the consolidated net asset value of the Group by approximately 0.81% as compared with the unaudited consolidated net asset value attributable to equity Shareholders of approximately HK\$2,681,259,000 as at 30 June 2008.

## LETTER FROM THE BOARD

The disposal of the interest in Riseland at the unaudited net asset value as at 30 September 2008 is currently expected not to generate any material gain or loss on the disposal.

As at 30 June 2008, the Group had total liabilities amounted to approximately HK\$2,872,028,000, whilst its total assets amounted to approximately HK\$5,855,453,000. Accordingly, the Group's gearing ratio, represented by dividing total liabilities with total assets, was approximately 49%. Given that the sale proceeds are currently intended to be used by the Group for its general working capital purposes, although the disposal of Riseland is expected not to generate any material gain or loss thus not materially impacting the gearing ratio, it is expected that the disposal of Sino Villa will have positive impact on the gearing level of the Group.

The actual profit of the disposals of Sino Villa and Riseland will be subject to audit and adjustments to reflect the results of Sino Villa and Riseland from 1 October 2008 up to the date of completion of such disposals.

Taking into consideration of the above, the Board (excluding the independent non-executive Directors whose view is stated in the section headed "Letter from the Independent Board Committee" of this circular) believes that each of the Sino Villa Agreement and the Riseland Agreement was entered into on normal commercial terms, and the proposed total consideration for the sale of the entire issued share capital of, and shareholder's loan to, Sino Villa under the Sino Villa Agreement and the sale of the entire issued share capital of Riseland under the Riseland Agreement, is fair and reasonable, and that the entering into of both agreements is in the interests of the Company and the Shareholders as a whole.

### IMPLICATIONS UNDER THE LISTING RULES

The transactions contemplated under the Sino Villa Agreement are aggregated with the transactions contemplated under the Riseland Agreement pursuant to Rules 14.22 and 14.23 of the Listing Rules. Such Transactions, when aggregated, constitute a discloseable transaction for the Company, on the basis that the calculation of the applicable ratios are within the range of 5% and 25%.

To the best of the Company's knowledge, information and belief, having made all reasonable enquiries, Everbright Real Estate is a wholly-owned subsidiary of China Everbright Holdings (which is the controlling shareholder of the Company) and hence is a connected person of the Company within the meaning of the Listing Rules. As such, the Transactions will constitute connected transaction for the Company under Chapter 14A of the Listing Rules and are subject to the approval of the Independent Shareholders on a vote taken by way of poll at the Extraordinary General Meeting and at which China Everbright Holdings and its associates will abstain from voting.

The Independent Board Committee, consisting all the independent non-executive Directors, namely Sir David AKERS-JONES, Mr. LI Kwok Sing, Aubrey and Mr. MAR Selwyn, has been constituted to consider the terms of both the Sino Villa Agreement and the Riseland Agreement and to advise and make recommendation to the Independent Shareholders as to how to vote at the Extraordinary General Meeting on the ordinary resolutions regarding the aforesaid.

## LETTER FROM THE BOARD

An independent financial adviser, First Shanghai, has been appointed to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the transactions contemplated under the Sino Villa Agreement and the Riseland Agreement.

### EXTRAORDINARY GENERAL MEETING

A notice convening the Extraordinary General Meeting is set out on pages 39 to 40 of this circular. Ordinary resolutions in respect of the Transactions will be proposed at the Extraordinary General Meeting.

A form of proxy for the Extraordinary General Meeting is enclosed with this circular. If you are not able to attend the Extraordinary General Meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof if you so wish.

The register of members of the Company will be closed from Tuesday, 16 December 2008 to Thursday, 18 December 2008, both days inclusive, during which no transfer of Shares will be registered. In order to qualify for attending the Extraordinary General Meeting, all completed transfer forms accompanied by the relevant Share certificates must be lodged with the Company's share registrar abovementioned by no later than 4:30 p.m. on Monday, 15 December 2008.

### RECOMMENDATION

The Board considers that the Sino Villa Agreement and the Riseland Agreement are in the interests of the Company and the Shareholders as a whole, and the terms of which are fair and reasonable so far as the Shareholders are concerned. Accordingly, the Directors recommend all the Shareholders to vote in favour of the ordinary resolutions as set out in the notice of the Extraordinary General Meeting.

### ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the Appendices to this circular.

Yours faithfully,  
By order of the Board  
**China Everbright International Limited**  
**FAN Yan Hok, Philip**  
*Executive Director*

## 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 Independent Shareholders for inclusion in 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)

1 December 2008

*To the Independent Shareholders*

Dear Sir or Madam,

#### DISCLOSEABLE AND CONNECTED TRANSACTION

#### CONDITIONAL SALE OF THE ENTIRE ISSUED SHARE CAPITAL OF SINO VILLA HOLDINGS LIMITED AND RISELAND LIMITED

We refer to the circular of the Company dated 1 December 2008 (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 Sino Villa Agreement and the Riseland Agreement were entered into between the Company and a connected person of the Company. Accordingly, the entering into of the Sino Villa Agreement and the Riseland Agreement constitutes connected transaction of the Company under Chapter 14A of the Listing Rules. The Sino Villa Agreement, the Riseland Agreement and the Transactions are subject to the Independent Shareholders’ approval on a vote taken by way of poll at the Extraordinary General Meeting and at which, China Everbright Holdings and its associates will abstain from voting.

We have been appointed as members of the Independent Board Committee to consider the Transactions, and to advise the Independent Shareholders as to the fairness and reasonableness of the Transactions. First Shanghai has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to (i) the letter from the Board, as set out on pages 4 to 12 of the Circular, which provides the terms of, and the reasons for entering into, the Transactions, and (ii) the letter from First Shanghai to the Independent Board Committee and the Independent Shareholders, as set out on pages 15 to 24 of the circular, which contains its opinion in respect of the Transactions.

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

After taking into consideration the advice from First Shanghai, we concur with the view of First Shanghai and consider that the Transactions 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. Accordingly, we would recommend the Independent Shareholders to vote in favour of the ordinary resolutions as set out in the notice of the Extraordinary General Meeting.

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 of advice to the Independent Board Committee and the Independent Shareholders from First Shanghai in respect of the Transactions prepared for the purpose of incorporation in this circular.*



**FIRST SHANGHAI CAPITAL LIMITED**  
19th Floor, Wing On House  
71 Des Voeux Road Central  
Hong Kong

1 December 2008

*To the Independent Board Committee and  
the Independent Shareholders*

Dear Sirs,

### **DISCLOSEABLE AND CONNECTED TRANSACTION**

#### **INTRODUCTION**

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Transactions, details of which are set out in the circular of the Company dated 1 December 2008 (the "Circular") to the Shareholders, of which this letter forms a part. Unless the context otherwise requires, capitalized terms used in this letter shall have the same meanings as those defined in the Circular.

On 10 November 2008, the Company entered into (i) the Sino Villa Agreement with Everbright Real Estate for the disposal of the entire issued share capital of, and shareholder's loan to, Sino Villa (the "Sino Villa Disposal") at the total consideration of approximately HK\$193,273,000 (the "Sino Villa Consideration"); and (ii) the Riseland Agreement with Everbright Real Estate for the disposal of the entire issued share capital of Riseland (the "Riseland Disposal") at the consideration of approximately HK\$2,634,000 (the "Riseland Consideration").

Everbright Real Estate is a wholly-owned subsidiary of China Everbright Holdings which is the controlling shareholder of the Company. Accordingly, Everbright Real Estate is a connected person of the Company (as defined in the Listing Rules); and the Sino Villa Disposal and the Riseland Disposal constitute connected transactions for the Company under the Listing Rules, which are subject to, among others, the approval by the Independent Shareholders by way of poll at the Extraordinary General Meeting.

## LETTER FROM FIRST SHANGHAI

The Independent Board Committee, comprising all the independent non-executive Directors, namely, Sir David Akers-Jones, Mr. Li Kwok Sing, Aubrey and Mr. Mar Selwyn, has been formed to advise the Independent Shareholders on the Transactions. We, First Shanghai Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

In putting forth our opinion and recommendations, we have relied on the accuracy of the information and representations included in the Circular and provided to us by the Directors and the Group, 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 Group were true at the time they were made and continued to be true up to the date of the Extraordinary General Meeting. 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 information and representations provided to us by the Directors and the Group 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 have reviewed, among others, the valuation report on the Properties as appraised by Greater China Appraisal contained in Appendix I to 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 sought confirmation from the Directors that no material facts or information have been omitted from the information supplied and/or opinions expressed. 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 Transactions, we have taken into account the following principal factors and reasons:

#### **1. Background to and reasons for the entering into of the Sino Villa Agreement and the Riseland Agreement**

On 20 May 1999, the Company entered into an agreement with China Everbright Holdings (the "Sino Villa Acquisition Agreement"), pursuant to which the Company agreed to purchase from China Everbright Holdings the entire issued share capital of, and shareholder's loan to, Sino Villa for a total consideration of approximately HK\$142.1 million. The then sole assets of Sino Villa were the Properties and the car parking spaces of Zhongshan Garden (the "Carparking Spaces"). Details of which are contained in the announcement of the Company dated 20 May 1999 and the circular of the Company dated 9 June 1999. The Sino Villa Acquisition Agreement was approved by the then Independent Shareholders on 29 June 1999. The Group was then principally engaged in property, construction, infrastructure and industrial investment at the time of entering into of the Sino Villa Acquisition Agreement.

## LETTER FROM FIRST SHANGHAI

On 15 March 2001, since the relevant ownership certificate for the Carparking Spaces had not been issued to Sino Villa, the Company exercised the option granted under the Sino Villa Acquisition Agreement to transfer its interests in the Carparking Spaces to China Everbright Holdings at the price of approximately HK\$9.7 million which was agreed under the Sino Villa Acquisition Agreement. Details of the transfer of interests in the Carparking Spaces are contained in the announcement of the Company dated 15 March 2001. Accordingly, the final consideration for the acquisition of the entire issued share capital of, and shareholder's loan to, Sino Villa was approximately HK\$132.4 million.

On 31 October 2003, the Company, through Riseland, its wholly-owned subsidiary, acquired 95% interest in Zhongshan Property Management at zero consideration from 深圳市中山投資有限公司 and 中國中山實業公司 in accordance with the option provided by the Sino Villa Acquisition Agreement.

As set out in the annual report of the Company for the year ended 31 December 2002, the Group started to focus on the development of the environmental protection business since 2002. Currently, the Group is principally engaged in the business of environmental protection investment, infrastructure operation, property investment and project management in the PRC. As stated in the annual report of the Company for the year ended 31 December 2007 and the interim report of the Company for the six months ended 30 June 2008 (the "Interim Report"), the Group's environmental protection investment business and property investment and management business accounted for approximately 91.9% and 1.3% of the Group's total turnover for the year ended 31 December 2007 respectively; and accounted for approximately 91.9% and 1.2% of the Group's total turnover for the six months ended 30 June 2008 respectively. The environmental protection business has become the Group's key revenue generator and core business.

Having considered that the Sino Villa Disposal and the Riseland Disposal (i) would allow the Company to consolidate its resources in the development of its core environmental protection business; and (ii) represent an opportunity for the Company to realize its interest in the non-core property business at selling prices which are comparable to the prevailing market valuation, the Directors are of the view that the entering into of the Sino Villa Agreement and the Riseland Agreement are in the interests of the Company and Shareholders as a whole.

Having considered that (i) the Group is now principally engaged in the environmental protection business, and (ii) the Sino Villa Disposal and the Riseland Disposal would allow the Group to concentrate its resources and attention on its core business and provide an opportunity for the Group to realize its non-core investment, we are of the view that the entering into of the Sino Villa Agreement and the Riseland Agreement are in the interests of the Company and the Shareholders as a whole.

## **2. Information on Sino Villa and the Properties**

Sino Villa is a property holding company wholly-owned by the Company. The sole assets of Sino Villa are the Properties, where Sino Villa has entrusted Zhongshan Property Management to operate and manage the leasing of the Properties on its behalf.

## LETTER FROM FIRST SHANGHAI

As described in the letter from the Board and the valuation report on the Properties as set out in Appendix I to the Circular, the Properties comprise all shop units at sections 1 and 3 of lower ground floor, all shop units on levels 1 and 2 and certain office units on level 3 within the commercial podium of Zhongshan Garden at the junction of Huali Road and Fenghuang Road, Luohu District, Shenzhen, the PRC with total gross floor area of approximately 15,191 sq.m.. The Properties are held for a land use right term of 70 years commencing on 18 July 1992 and expiring on 17 July 2062.

Currently, various portions of the Properties with a gross floor area of approximately 14,667 sq.m. are subject to tenancies, details of which are contained in the valuation report on the Properties as set out in Appendix I to the Circular. The current monthly rental of the Properties amounts to approximately RMB1.1 million.

### *Financial information of Sino Villa*

Set out below is a summary of the unaudited results of Sino Villa for the two years ended 31 December 2007 and the nine months ended 30 September 2008 based on its unaudited management accounts:

	<b>Year ended 31 December</b>		<b>Nine months ended</b>
	<b>2006</b>	<b>2007</b>	<b>30 September</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)
<b>Turnover</b>	10,647	11,908	10,626
<b>Profit before taxation</b>	14,296	23,963	9,124
<b>Profit after taxation</b>	11,621	24,811	8,006

The turnover of Sino Villa during the two years ended 31 December 2007 and the nine months ended 30 September 2008 was mainly attributable to the rental income generated from the Properties. The rental income generated from the Properties has been increasing during the two years ended 31 December 2007 and the nine months ended 30 September 2008, which was mainly due to the appreciation of RMB and the increase in monthly rental in accordance with the tenancy agreements. The profit before taxation of Sino Villa principally comprises valuation gain as a result of the revaluation of the Properties in accordance with the accounting policies of the Group. The significant increase in profit after taxation from approximately HK\$11.6 million for the year ended 31 December 2006 to approximately HK\$24.8 million for the year ended 31 December 2007 was mainly attributable to the increase in valuation gain of the Properties from approximately HK\$4.9 million for the year ended 31 December 2006 to approximately HK\$13.4 million for the year ended 31 December 2007.

## LETTER FROM FIRST SHANGHAI

The following table summarizes the unaudited balance sheets of Sino Villa as at 31 December 2007 and 30 September 2008 based on its unaudited management accounts:

	<b>As at 31 December 2007</b>	<b>As at 30 September 2008</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Non-current assets	182,291	193,273
Current assets	1,001	1,084
<b>Total assets</b>	<b>183,292</b>	<b>194,357</b>
Current liabilities	(2,094)	(2,480)
Non-current liabilities	(38,126)	(30,175)
<b>Total liabilities</b>	<b>(40,220)</b>	<b>(32,655)</b>
<b>Net assets</b>	<b>143,072</b>	<b>161,702</b>

The non-current assets of Sino Villa were the Properties which amounted to approximately HK\$182.3 million and HK\$193.3 million as at 31 December 2007 and 30 September 2008 respectively, while the current assets of Sino Villa were principally amount due from Zhongshan Property Management which was principally the rental received on behalf of Sino Villa.

The current liabilities of Sino Villa were other payables which mainly represented the rental deposits received, while the non-current liabilities of Sino Villa comprised shareholder's loan and deferred tax liability. As at 30 September 2008, shareholder's loan granted by the Company amounted to approximately HK\$9.8 million. The shareholder's loan is unsecured, interest-free and has no fixed repayment term and will be assigned to Everbright Real Estate at completion of the Sino Villa Agreement and the Riseland Agreement (the "Completion").

### 3. Information on Riseland

Riseland is an investment holding company wholly-owned by the Company. We are advised that save for the 95% interest in Zhongshan Property Management, Riseland did not have any other material assets or liabilities as at the Latest Practicable Date. Zhongshan Property Management is a sino-foreign equity joint venture incorporated in the PRC with limited liability. Sino Villa has entrusted Zhongshan Property Management to operate and manage the leasing of the Properties on its behalf.

## LETTER FROM FIRST SHANGHAI

### *Financial information of Riseland*

Set out below is a summary of the unaudited consolidated financial results of Riseland and its subsidiary (the "Riseland Group") for the two years ended 31 December 2007 and the nine months ended 30 September 2008 based on its unaudited consolidated management accounts:

	<b>Year ended 31 December</b>		<b>Nine months ended</b>
	<b>2006</b>	<b>2007</b>	<b>30 September 2008</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)
<b>Turnover</b>	3,582	3,753	3,155
<b>Profit/(loss) before taxation</b>	484	280	(385)
<b>Profit/(loss) after taxation and minority interest</b>	383	216	(415)

The turnover of the Riseland Group during the two years ended 31 December 2007 and the nine months ended 30 September 2008 was mainly attributable to the management fees generated from Zhongshan Garden. The management fees generated from Zhongshan Garden have been increasing during the two years ended 31 December 2007 and the nine months ended 30 September 2008, which was mainly due to the appreciation of RMB. The decrease in profit after taxation and minority interest from approximately HK\$0.4 million for the year ended 31 December 2006 to approximately HK\$0.2 million for the year ended 31 December 2007 was mainly attributable to the increase in administrative expenses. Due to further increase in the administrative expenses, the Riseland Group recorded loss after taxation and minority interest of approximately HK\$0.4 million for the nine months ended 30 September 2008.

## LETTER FROM FIRST SHANGHAI

The following table summarizes the unaudited consolidated balance sheets of the Riseland Group as at 31 December 2007 and 30 September 2008 based on its unaudited consolidated management accounts:

	<b>As at 31 December 2007</b>	<b>As at 30 September 2008</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Non-current assets	1,196	1,254
Current assets	7,015	7,325
<b>Total assets</b>	<b>8,211</b>	<b>8,579</b>
Current liabilities	(5,185)	(5,792)
Non-current liabilities	–	(13)
<b>Total liabilities</b>	<b>(5,185)</b>	<b>(5,805)</b>
<b>Net assets</b>	<b>3,026</b>	<b>2,774</b>
Minority interest	152	140
<b>Net assets attributable to equity shareholders</b>	<b>2,874</b>	<b>2,634</b>

The non-current assets of the Riseland Group mainly comprised a residential unit in Zhongshan Garden which was rented out to an independent third party, while the current assets of the Riseland Group were mainly cash and bank balance which amounted to approximately HK\$7.2 million as at 30 September 2008, representing approximately 98.7% of the Riseland Group's total current assets.

The current liabilities of the Riseland Group mainly comprised amount due to Sino Villa, and other payables which were related to its property management business. As at 30 September 2008, other payables of the Riseland Group amounted to approximately HK\$4.7 million, representing approximately 81.3% of the Riseland Group's current liabilities.

#### 4. Basis of Sino Villa Consideration and Riseland Consideration

##### *Sino Villa Consideration*

As set out in the letter from the Board in the Circular, the Sino Villa Consideration was arrived at after arm's length negotiations between the Company and Everbright Real Estate and taking into account the independent valuation of the Properties of approximately HK\$193,273,000 as at 30 September 2008. Pursuant to the terms of the Sino Villa Agreement, the Company will assign the shareholder's loan as at the date of Completion to Everbright Real Estate. The management of the Company advised us that the Group will not provide further loan to Sino Villa from 1 October 2008 to the expected date of Completion.

## LETTER FROM FIRST SHANGHAI

Since the Sino Villa Consideration represents the independent valuation of the Properties, for the purpose of our evaluation of the Sino Villa Consideration, we have focused on the analysis of the valuation of the Properties.

### *Valuation by Greater China Appraisal*

The Properties have been valued by Greater China Appraisal at RMB170,000,000 (equivalent to approximately HK\$193,273,000) as at 30 September 2008. The text of the valuation report and certificate in relation to the Properties is set out in Appendix I to the Circular.

In assessing the Sino Villa Consideration, we have reviewed and discussed with Greater China Appraisal the methodology of, and basis and assumptions adopted for, the valuation of the Properties as contained in the valuation report. Greater China Appraisal has adopted the comparison method to value the Properties which, in our opinion, is a normal approach in establishing the market value of the Properties. In assessing the market value of the Properties, Greater China Appraisal has made reference to the actual sales of comparable properties and made adjustment for size and location of the comparable properties.

### *Riseland Consideration*

Since Riseland is an investment holding company and has no other material assets or operation except for its holding of approximately 95% interest in Zhongshan Property Management, accordingly, the Riseland Consideration represents the unaudited consolidated net asset value of Riseland attributable to the Company as at 30 September 2008 which may be summarized as below:

	<i>HK\$'000</i> (unaudited)
<b>Consolidated net asset value of Riseland as at</b>	
<b>30 September 2008</b>	2,774
<i>Less:</i> minority interest in Zhongshan Property Management	140
	<hr/>
	<b>2,634</b>
	<hr/> <hr/>

Pursuant to the terms of the Sino Villa Agreement and the Riseland Agreement, the Company has warranted that the net asset value of Sino Villa and Riseland as at the date of Completion shall be no less than their respective net asset value as at 30 September 2008. The management of the Company advised that there should be no material change in the net asset values of Sino Villa and Riseland since 1 October 2008 up to the expected date of Completion.



**5. Financial effect on the Group**

*Earnings*

Upon Completion, Sino Villa and Riseland will cease to be subsidiaries of the Company and the financial results of which will cease to be consolidated into the accounts of the Group to be issued subsequent to the Completion.

Based on (i) the Sino Villa Consideration; (ii) the unaudited net asset value of Sino Villa of approximately HK\$161,702,000 as at 30 September 2008; and (iii) the shareholder's loan due to the Company of approximately HK\$9,827,000 as at 30 September 2008, the Sino Villa Disposal would record a gain on disposal of approximately HK\$21,744,000. Since the Riseland Consideration represents the unaudited consolidated net asset value of the Riseland Group attributable to the Company, the Riseland Disposal is not expected to generate any material gain or loss on the disposal. However, the above figures of gain on disposal are for reference purpose only and the final amounts of the gain on disposal will be determined upon Completion which will be included in the accounts of the Group to be issued subsequent to the Completion.

After Completion, the Group will cease to be entitled to rental income and management fee generated from Sino Villa and Riseland respectively. Given the results generated from Sino Villa and Riseland are not material to the results of the Group, save for the non-recurring one-off gain on the Sino Villa Disposal as mentioned above, we are of the view that the Sino Villa Disposal and the Riseland Disposal are not expected to have material effect on the future earnings of the Group.

*Net asset value*

Upon Completion, the assets and liabilities of Sino Villa and the Riseland Group will cease to be consolidated into the accounts of the Group to be issued subsequent to the Completion. Save for the expected increase in net asset value of the Group as a result of the abovementioned expected gain on the Sino Villa Disposal of approximately HK\$21,744,000, it is not expected to have material effect on the consolidated net asset position of the Group as a result of the Sino Villa Disposal and the Riseland Disposal.

*Liquidity and gearing*

As stated in the Interim Report, the Group had cash and bank balance of approximately HK\$602.7 million as at 30 June 2008. The Sino Villa Disposal and the Riseland Disposal is expected to improve the cash position of the Group by approximately HK\$188.7 million, being the expected proceeds (before expenses) from such disposals of approximately HK\$195.9 million minus the cash and bank balance of the Riseland Group of approximately HK\$7.2 million.

## LETTER FROM FIRST SHANGHAI

In addition, the gearing ratio (total borrowings over total assets) of the Group after Completion will be improved as a result of the abovementioned expected increase in net assets of the Group after Completion.

### DISCUSSION AND ANALYSIS

The Group is now principally engaged in the environmental protection business, the Sino Villa Disposal and the Riseland Disposal provide an opportunity for the Group to realize its non-core investment and allow the Group to concentrate its resources and attention on its core business which we consider are in the interests of the Company and the Shareholders as a whole.

Sino Villa and Riseland are property holding and investment holding companies, with their principal assets being interest in the Properties and Zhongshan Property Management respectively. The Sino Villa Consideration is based on the valuation of the Properties carried out by an independent valuer. In the case of Riseland, the Riseland Consideration represents the consolidated net assets of the Riseland Group attributable to the Company. Based on the above, we consider the bases in arriving at the Sino Villa Consideration and the Riseland Consideration are fair and reasonable. In addition, the Sino Villa Disposal is expected to contribute an one-off gain on disposal to the income statements and balance sheets of the Group after Completion; and the net proceeds from the Sino Villa Disposal and the Riseland Disposal is expected to improve the cash position of the Group after Completion.

### RECOMMENDATION

Based on the above principal factors and reasons, we consider that the Sino Villa Agreement and the Riseland Agreement are on normal commercial terms which are fair and reasonable to the Independent Shareholders. We further consider that the entering into of the Sino Villa Agreement and the Riseland Agreement are in the ordinary course of business of the Company and in the interests of the Company and the Shareholders as a whole. We therefore advise, and recommend the Independent Board Committee to advise, the Independent Shareholders to vote in favour of the ordinary resolutions to approve the Sino Villa Agreement and the Riseland Agreement to be proposed at the Extraordinary General Meeting.

Yours faithfully,  
For and on behalf of

**First Shanghai Capital Limited**

**Helen Zee**  
*Managing Director*

**Fanny Lee**  
*Executive Director*

*The following is the text of the Valuation Report prepared by Greater China Appraisal, an independent property valuer, for inclusion in this circular.*

**GREATER CHINA APPRAISAL LIMITED**

漢華評值有限公司

Room 2703 Shui On Centre  
6–8 Harbour Road  
Wanchai, Hong Kong  
T 852 2511 6868  
F 852 2511 6161

1 December 2008

**The Directors****China Everbright International Limited**

Room 2703, 27/F  
Far East Finance Centre  
16 Harcourt Road  
Central Hong Kong

Dear Sirs,

**Re: Shop units at Sections 1 and 3 of Lower Ground Floor, all shop units on Levels 1 and 2, certain office units on Level 3 of Zhongshan Garden at the junction of Huali Road and Fenghuang Road, Luohu District, Shenzhen, Guangdong Province, the People's Republic of China (the "Property")**

**INSTRUCTIONS**

In accordance with your instructions to value the Property held by China Everbright International Limited (the "**Company**") or its subsidiaries (altogether referred to as the "**Group**") situated in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspections of the Property, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at **30 September 2008** (the "**date of valuation**").

**BASIS OF VALUATION**

Our valuation of the Property represents the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

## TITLESHIP

We have been provided with copies of legal documents regarding the Property. However, we have not verified ownership of the Property and the existence of any encumbrances that would affect ownership of it.

We have also relied upon the legal opinion provided by the PRC legal advisers, namely Grandall Legal Group (國浩律師集團事務所), a qualified law firm in the PRC (the “**PRC Legal Opinion**”), to the Company on the relevant laws and regulations in the PRC, on the nature of land use rights in the Property. All information in connection with property title is disclosed herewith for reference purpose only.

## VALUATION METHODOLOGY

The Property is valued by the comparison method where comparison based on price information of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values.

## ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the Property on the market without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the value of the Property.

As the Property is held by the owner by means of long term Land Use Rights granted by the Government, we have assumed that the owner has free and uninterrupted rights to use the Property for the whole of the unexpired term of the respective land use rights.

Other special assumptions for our valuation (if any) would be stated out in the footnotes of the valuation certificate attached herewith.

## LIMITING CONDITIONS

No allowance has been made in our report for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value. Our valuation have been made on the assumption that the seller sells the Property on the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the Property.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have not carried out detailed site measurements to verify the correctness of the floor areas in respect of the Property but have assumed that the areas shown on the official documents handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

We have inspected the exterior and, where possible, the interior of the building and structure of the Property. However, no structural survey has been made for them. In the course of our inspection, we did not note any apparent defects. We are not, however, able to report whether the building inspected by us is free of rot, infestation or any structural defect. No test was carried out on any of the building services and equipment.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

In valuing the properties, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors effective from 1 January 2005.

All monetary sums stated in this report are in Renminbi (RMB).

Our valuation certificate is attached herewith.

Yours faithfully,  
For and on behalf of  
**Greater China Appraisal Limited**  
**Tse Wai Leung**  
*MFin BSc MRICS MHKIS RPS(GP)*  
**Assistant Vice President**

*Tse Wai Leung is a member of the Hong Kong Institute of Surveyors, a member of the Royal Institute of Chartered Surveyors and a Registered Professional Surveyor in General Practice. He is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Forum and has over 10 years' experience in valuation of properties in Hong Kong, in Macau and in the PRC.*

## VALUATION CERTIFICATE

## Property held by the Group for Investment

Property	Description and tenure	Particulars of occupancy	Market Value as at 30 September 2008 RMB												
Shop units at Sections 1 and 3 on Lower Ground Floor, all shop units on Levels 1 and 2 and certain office units on Level 3 Zhongshan Garden at the junction of Huali Road and Fenghuang Road Luohu District Shenzhen the PRC	<p>Zhongshan Garden is a commercial/residential development completed in 1995. It consists of two high-rise apartment towers both surmounting a 4-level commercial podium and a basement carparking level.</p> <p>The Property comprises all shop units at Section 1 and 3 on Lower Ground Floor, all shop units on Levels 1 and 2 and certain office units on Level 3 within the commercial podium of the subject development. Currently, the Lower Ground Floor of the Property is sub-divided into three retail portions and an entrance lobby. Shop units on Levels 1 and 2 are merged together into a general retail area occupied by a single retailer whilst Level 3 of the Property is sub-divided into various office units.</p> <p>The Property has a total gross floor area of 15,191.01 square metres which is broken down into the followings:</p> <table border="0" style="margin-left: 20px;"> <thead> <tr> <th style="text-align: left;">Floor Level</th> <th style="text-align: right;">Gross Floor Area <i>sq. m.</i></th> </tr> </thead> <tbody> <tr> <td>Commercial Space at Section 1 &amp; 3 on LG/F</td> <td style="text-align: right;">4,799.50</td> </tr> <tr> <td>Commercial Space on Level 1</td> <td style="text-align: right;">4,538.34</td> </tr> <tr> <td>Commercial Space on Level 2</td> <td style="text-align: right;">5,162.04</td> </tr> <tr> <td>Office Space on Level 3</td> <td style="text-align: right; border-top: 1px solid black;">691.13</td> </tr> <tr> <td><b>Total</b></td> <td style="text-align: right; border-top: 3px double black;"><b>15,191.01</b></td> </tr> </tbody> </table>	Floor Level	Gross Floor Area <i>sq. m.</i>	Commercial Space at Section 1 & 3 on LG/F	4,799.50	Commercial Space on Level 1	4,538.34	Commercial Space on Level 2	5,162.04	Office Space on Level 3	691.13	<b>Total</b>	<b>15,191.01</b>	Various portions of the Property with a gross floor area of 14,666.50 square metres are subject to 7 tenancies with details set out in footnote below. The remaining portion of the Property is being used as lobbies, staff canteen, guard rooms, property manager offices or otherwise owner occupied.	170,000,000
Floor Level	Gross Floor Area <i>sq. m.</i>														
Commercial Space at Section 1 & 3 on LG/F	4,799.50														
Commercial Space on Level 1	4,538.34														
Commercial Space on Level 2	5,162.04														
Office Space on Level 3	691.13														
<b>Total</b>	<b>15,191.01</b>														
	<p>The Property is held for a land use right term of 70 years commencing on 18 July 1992 and expiring on 17 July 2062.</p>														

*Notes:*

1. The Property has been issued with 4 sets of Building and Land Ownership Certificate (Ref Nos. 2000024237, 2000024242, 2000024243 and 2000024247) in the name of Sino Villa Holdings Limited.
2. Pursuant to a tenancy agreement dated 1 September 1999, a lease renewal tenancy agreement dated 16 June 2006, portion on Lower Ground Floor of the Property with a gross floor area of 275 square metres is leased out for a term expiring on 16 June 2012. The current monthly rental is RMB70,000.00 exclusive of management fee.
3. Pursuant to a tenancy agreement dated 7 December 1999, a supplemental tenancy agreement dated 7 December 1999, the first amendment to the supplemental tenancy agreement dated 15 August 2003, the second amendment to the supplemental tenancy agreement dated 31 July 2005 and the third amendment to the supplemental tenancy agreement dated 12 October 2007, portion on Lower Ground to Level 2 of the Property with a total gross floor area of 12,525.80 square metres (including loading and unloading area) is leased out for a term expiring on 30 June 2014. Upon expiry of the existing term, the tenant has option to extend the tenancy three times. Lease term of each extension shall be a period of 5 years. As mentioned in the said second amendment to the supplemental tenancy agreement, current monthly rental is RMB72.25/m<sup>2</sup> inclusive of management fee at RMB5/m<sup>2</sup> in term of gross floor area.
4. Pursuant to a tenancy agreement and a supplemental tenancy agreement both dated 15 September 1999, portion on Lower Ground of the Property with a gross floor area of 1,600 square metres is leased out for a term of years expiring on 31 July 2009 at a turnover rent based on 3% on turnover or the following base monthly rental, whichever the higher:
  - Between 1 August 2005 and 31 July 2006: RMB147,028.00
  - Between 1 August 2006 and 31 July 2007: RMB154,379.00
  - Between 1 August 2007 and 31 July 2008: RMB162,098.00
  - Between 1 August 2008 and 31 July 2009: RMB170,203.00All above monthly rentals are exclusive of management fee.
5. Pursuant to a tenancy agreement and a supplemental agreement both dated 10 June 2002, portion on Level 3 of the Property with a gross floor area of 213.40 square metres is leased out for a term of 10 years expiring on 10 June 2012 at an annual rental of RMB96,000 exclusive of management fee.
6. Pursuant to a tenancy agreement dated 1 March 2008, another portion on Level 3 of the Property with a gross floor area of 52.3 square metres is leased out for a term of 1 year expiring on 28 February 2009 at a monthly rental of RMB2,092 inclusive of management fee.
7. Opinion of the PRC Lawyer on the property as at 11 November 2008 is summarized as follows:
  - 7.1 The land use rights and building ownership rights of the Property with a total attributable land area of 2,496.7 square metres and a total gross floor area of 15,191.01 square metres are held by Sino Villa Holdings Limited.
  - 7.2 The land use rights of the Property have been granted for a term commencing on 18 July 1992 and expiring on 17 July 2062.
  - 7.3 As at Valuation Date, the Property was subject to a mortgage in favour of Citic Ka Wah Bank (China) Limited. According to the written confirmation issued by Citic Ka Wah Bank (China) Limited on 4 November 2008, all outstanding principal and interest of the mortgage have been settled and the registration procedures for the mortgage discharge are currently in progress.
  - 7.4 The leasing of the Property by Sino Villa Holdings Limited is legal and valid.

## 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	0.25
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	0.57
	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	0.57
	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 03 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 03 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**

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

### **CEL**

<b>Name of Director</b>	<b>Posts held in CEL</b>
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 a 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	Beneficial owner	1,758,595,910 (Note 1)	56

*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 China Everbright Holdings. Datten is a wholly-owned subsidiary of China Everbright Holdings. The remaining 380,000 Shares are held by Everbright Investment & Management Limited (“**EIM**”), a wholly-owned subsidiary of China Everbright Holdings. Accordingly, China Everbright Holdings 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 China Everbright Holdings. Ms. ZHANG Weiyun, another executive Director, is also an employee of China Everbright Holdings.
- 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	China Everbright Holdings	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
Everbright Water (Jiangyin) Limited <sup>#</sup>	Xin Guo Lian	–	30

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

<sup>#</sup> Registered under the laws of the PRC as sino-foreign equity 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.

#### 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 the Extraordinary General Meeting in respect of the Transactions 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 2007, 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 who 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, as far as the Directors are aware, Mr. LI Xueming and Mr. FAN Yan Hok, Philip are both non-executive directors of HKC (Holdings) Limited, a company incorporated in Bermuda with limited liability, whose shares are listed on the Stock Exchange and its business activities include property development and investments, alternative energy investment and management, and infrastructure and construction, of which, property investment, infrastructure, and alternative energy investment, in particular, waste-to-energy, are considered to compete or likely to compete with the business of the Group. Although, both Mr. LI Xueming and Mr. FAN Yan Hok, Philip are non-executive directors of HKC (Holdings) Limited, they do not engage in the daily operation of HKC (Holdings) Limited and thus the Group is capable of carrying on its business independently from HKC (Holdings) Limited.

Save as disclosed above, as at the Latest Practicable Date and as 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 2007, being the date of the latest published audited financial statements of the Company.

## 9. EXPERTS

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

Name	Qualification
First Shanghai	A licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activity
Greater China Appraisal	Independent property 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.

Greater China Appraisal 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 Properties or its name in the form and context in which they respectively appear.

Neither First Shanghai nor Greater China Appraisal 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 Greater China Appraisal has any direct or indirect interests in any assets which have been, since 31 December 2007 (being the date to which 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 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 18 December 2008.

- (a) the Sino Villa Agreement;
- (b) the Riseland Agreement;
- (c) 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;
- (d) the letter from First Shanghai, the text of which is set out under the section headed "Letter from First Shanghai" of this circular;
- (e) the Valuation Report, the text of which is set out under the section headed "Appendix I – Valuation Report" of this circular;
- (f) the consent letter from First Shanghai referred to in the paragraph headed "Experts" in this Appendix; and
- (g) the consent letter from Greater China Appraisal referred to in the paragraph headed "Experts" in this Appendix.



# NOTICE OF EXTRAORDINARY GENERAL MEETING



## CHINA EVERBRIGHT INTERNATIONAL LIMITED

中國光大國際有限公司

*(Incorporated in Hong Kong with limited liability)*

(Stock Code: 257)

### NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “**Meeting**”) of China Everbright International Limited (the “**Company**”) will be held at Gloucester Room, 2nd Floor, Mandarin Oriental Hong Kong, 5 Connaught Road, Central, Hong Kong on Thursday, 18 December 2008 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications or amendments, the following resolution as ordinary resolutions on a vote taken by way of poll and China Everbright Holdings Company Limited and its associates will abstain from voting:

#### ORDINARY RESOLUTIONS

“**THAT** (i) the sale and purchase agreement entered into between the Company as vendor and Everbright Real Estate Limited (a wholly-owned subsidiary of a controlling shareholder of the Company, China Everbright Holdings Company Limited) (“**Everbright Real Estate**”) as purchaser on 10 November 2008 in respect of the sale and purchase of the entire issued share capital of, and shareholder’s loan to, Sino Villa Holdings Limited for a consideration of HK\$193,273,000 (the “**Sino Villa Agreement**”), a copy of which has been produced at the Meeting marked “**A**” and signed by the chairman of the Meeting for identification purpose, and (ii) the sale and purchase agreement entered into between the Company as vendor and Everbright Real Estate as purchaser on 10 November 2008 in respect of the sale and purchase of the entire issued share capital of Riseland Limited for a consideration of HK\$2,634,000 (the “**Riseland Agreement**”), a copy of which has been produced at the Meeting marked “**B**” and signed by the chairman of the Meeting for identification purpose, be and are hereby approved, confirmed and/or ratified; the transactions contemplated under the Sino Villa Agreement and the Riseland Agreement be and are hereby approved; and the directors of the Company (the “**Directors**”) be and are hereby authorized to do such acts and things, to sign and execute such other documents and to take such steps as they may consider necessary, appropriate, desirable or expedient to carry out or give effect to or otherwise in connection with or in relation to the Sino Villa Agreement and the Riseland Agreement.”

By order of the board of Directors  
**China Everbright International Limited**  
**FAN Yan Hok, Philip**  
*Executive Director*

Hong Kong, 1 December 2008

## NOTICE OF EXTRAORDINARY GENERAL MEETING

*Registered Office:*

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

*Notes:*

1. A member entitled to attend and vote at the Meeting may appoint one or more proxies to attend and, on a poll, to vote in his stead. A proxy need not be a member of the Company but must be present in person to represent the member.
2. Where there are joint registered holders of any shares, any one of such persons may attend and vote at the Meeting, either personally or by proxy, in respect of such shares as if he were solely entitled thereto; but if more than one of such joint holders be present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.
3. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed on it together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of it must be returned to the office of the Company's share registrars Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof if you so wish.
4. The register of members of the Company will be closed from Tuesday, 16 December 2008 to Thursday, 18 December 2008, both days inclusive, during which no transfer of shares will be registered. In order to qualify for attending the Meeting, all completed transfer forms accompanied by the relevant share certificates of the Company must be lodged with the Company's share registrar, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Monday, 15 December 2008.