

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 you should take, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

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, stock broker 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 TRANSACTION

SALE OF PROPERTY IN HONG KONG

A letter from the board of directors of the Company is set out on pages 3 to 7 of this circular.

8 May 2006

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DEFINITIONS

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

“Announcement”	means an announcement of the Company dated 13 April 2006 in relation to the sale of the Property in Hong Kong
“associate”	has meaning ascribed to it under the Listing Rules
“Agreement for Sale and Purchase”	means the agreement for sale and purchase dated 13 April 2006 and entered into between On Land as vendor and CITIC Ka Wah Bank as purchaser in relation to the sale and purchase of the Property
“Board”	means the board of Directors of the Company
“CITIC Ka Wah Bank”	means CITIC Ka Wah Bank Limited (中信嘉華銀行有限公司), a licensed bank in Hong Kong
“Company”	means 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
“Directors”	means the directors of the Company
“Group”	means the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Parties”	means third parties not connected with any director, chief executive or substantial shareholder of the Company or any of its subsidiaries or their respective associates according to the Listing Rules
“Latest Practicable Date”	4 May 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“On Land”	means On Land Limited (再倫有限公司), a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company

DEFINITIONS

“Property”	means ALL THOSE 1,361 equal undivided 102,750th parts or shares of and in ALL THAT piece or parcel of ground registered in the Land Registry as INLAND LOT NO.8615 And of and in the messuage erections and buildings thereon known at the date of the Agreement for Sale and Purchase as LIPPO CENTRE (formerly known as Bond Centre), No.89 Queensway, Hong Kong (the “Building”) TOGETHER with the sole and exclusive right and privilege to hold, use, occupy and enjoy ALL THAT the EIGHTH FLOOR of TOWER ONE (formerly known as Lippo Tower which formerly known as Tower 2 (East Tower)) of the Building subject to the assignment memorial no. UB5544605
“SFO”	means Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shares”	means ordinary shares of HK\$0.10 each in the share capital of the Company
“Shareholders”	means registered holders of the Shares
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“subsidiaries”	has meaning ascribed to it under the Listing Rules

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

WANG Mingquan (*Chairman*)
ZANG Qiutao (*Vice-chairman*)
LI Xueming (*Vice-chairman*)
CHEN Xiaoping (*Chief Executive Officer*)
FAN Yan Hok, Philip
HUANG Chaohua
WONG Kam Chung, Raymond
CHEN Shuang
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
LI Kwok Sing, Aubrey
MAR Selwyn

8 May 2006

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

SALE OF PROPERTY IN HONG KONG

INTRODUCTION

In an announcement of the Company dated 13 April 2006 and published on 18 April 2006, the Board announced that on 13 April 2006, On Land, a wholly-owned subsidiary of the Company entered into the Agreement for Sale and Purchase with CITIC Ka Wah Bank, pursuant to which, On Land agreed to sell as beneficial owner and CITIC Ka Wah Bank agreed to purchase the Property at a purchase price of HK\$122,098,000.

The purpose of this circular is to give Shareholders further information regarding the sale of the Property.

LETTER FROM THE BOARD

THE AGREEMENT FOR SALE AND PURCHASE

The principal terms of the Agreement for Sale and Purchase are set forth below:–

- Date: 13 April 2006
- Parties: On Land as vendor
CITIC Ka Wah Bank as purchaser
- Property: ALL THOSE 1,361 equal undivided 102,750th parts or shares of and in ALL THAT piece or parcel of ground registered in the Land Registry as INLAND LOT NO.8615 And of and in the messuage erections and buildings thereon known at the date of the Agreement for Sale and Purchase as LIPPO CENTRE (formerly known as Bond Centre), No.89 Queensway, Hong Kong (the "Building") TOGETHER with the sole and exclusive right and privilege to hold, use, occupy and enjoy ALL THAT the EIGHTH FLOOR of TOWER ONE (formerly known as Lippo Tower which formerly known as Tower 2 (East Tower)) of the Building subject to the assignment memorial no. UB5544605
- Purchase price: HK\$122,098,000
- Payment terms: HK\$12,209,800 being the deposit paid upon the signing of the Agreement for Sale and Purchase by CITIC Ka Wah Bank to On Land's solicitors as stakeholders
- HK\$6,104,900 being the part payment of the purchase price paid upon the signing of the Agreement for Sale and Purchase by CITIC Ka Wah Bank to On Land's solicitors as stakeholders
- HK\$103,783,300 being the balance of the purchase price to be paid upon completion by CITIC Ka Wah Bank to On Land
- The deposit and part payment referred to above have been received by On Land from its solicitors who were entitled to release the deposit and part payment to On Land upon producing satisfactory evidence to confirm that the balance of purchase price receivable by On Land on completion shall be sufficient to repay the loan secured under an existing mortgage of the Property.
- Completion Date: On or before 15 May 2006

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Completion: Against the payment of the balance of the purchase price in the manner as mentioned above, On Land acting as beneficial owner and all other necessary parties (if any) will execute a proper assignment of the Property to CITIC Ka Wah Bank or its nominee(s) or sub-purchaser(s) subject to the terms of the Agreement for Sale and Purchase.

Other salient terms: *“As is” basis*

The Property is and will be sold on an “as is” basis and in the physical state and condition as it stands.

Give title

On Land shall give title to the Property. On Land shall at its own expense prove its title to the Property.

Subject to existing tenancy and licence

The Property is sold subject to and with the benefit of the existing licence, letting and tenancy as set forth in the Agreement for Sale and Purchase.

Termination

Should CITIC Ka Wah Bank (other than the default of On Land) fail to comply with any of the terms and conditions of the Agreement for Sale and Purchase, On Land may forthwith determine the Agreement for Sale and Purchase in accordance with the terms therein and On Land shall be entitled to forfeit all deposits and/or further deposits and/or part payments of the purchase price paid to On Land absolutely as liquidated damages (and not as penalty).

If On Land shall for any cause (other than the default of CITIC Ka Wah Bank) fail to complete the sale of the Property in accordance with the terms and conditions of the Agreement for Sale and Purchase, all moneys and deposits paid by CITIC Ka Wah Bank to On Land pursuant to the Agreement for Sale and Purchase shall be returned forthwith to CITIC Ka Wah Bank.

BACKGROUND AND THE BENEFITS FOR ENTERING INTO THE AGREEMENT FOR SALE AND PURCHASE

The Group has been focusing on environmental protection business since 2002. The sale of the Property would enable the Group to consolidate its resources in the development of environmental protection business in China. The net proceeds in the amount of

LETTER FROM THE BOARD

approximately HK\$67,600,000 arising from the sale of the Property after deducting the bank loan and the selling expenses are intended to be used by the Group as the general working capital for its environmental protection business.

The Property was acquired by On Land at a consideration of approximately HK\$93,440,000 in 1992. Since 1997, the Property has been entirely used for investment purpose. The net profits (after deducting all charges except taxation and excluding extraordinary items) attributable to the Property for the two financial years ended 31 December 2004 and 2005 were approximately HK\$2,558,000 and HK\$2,790,000, respectively. The carrying value of the Property as at 31 December 2005 was HK\$104,000,000. The estimated gain from the sale of the Property is HK\$16,000,000 which is calculated with reference to the carrying value of the Property as at 31 December 2005 and after deducting the selling expenses.

The consideration was arrived at after arm's length negotiations between the parties with reference to the valuation of the Property of HK\$120,000,000 as at 11 April 2006 by RHL Appraisal Limited, a qualified valuer, appointed by the Company. The other terms of the Agreement for Sale and Purchase were also negotiated on an arm's length basis.

The Board considers that the terms for the sale of the Property under the Agreement for Sale and Purchase are fair and reasonable and in the interests of the Shareholders as a whole.

FINANCIAL EFFECT OF THE SALE OF THE PROPERTY

The sale of the Property will reduce the Group's non-current assets by approximately HK\$104,000,000 (being the carrying value of the Property as at 31 December 2005) and increase the Group's current assets by approximately HK\$67,000,000 (being the net proceeds of the sale of the Property after deducting the bank loan and the selling expenses). The sale of the Property will also reduce the Group's liabilities by approximately HK\$52,325,000. Save the unaudited estimated gain of approximately HK\$16,000,000 as disclosed above, the sale of the Property will not have any material impact on the earnings of the Group as the rental income of the Property is relatively immaterial to the Group's turnover.

IMPLICATIONS UNDER THE LISTING RULES

The total consideration payable under the Agreement for Sale and Purchase exceeds five per cent. but less than 25 per cent. under the consideration test set forth in rule 14.15 of the Listing Rules. Therefore, the entering into of the Agreement for Sale and Purchase constitutes a discloseable transaction of the Company under rule 14.06(2) of the Listing Rules that requires publication of the Announcement pursuant to rule 14.34 of the Listing Rules and dispatch of this circular to the Shareholders pursuant to rule 14.38 of the Listing Rules.

LETTER FROM THE BOARD

GENERAL INFORMATION OF THE COMPANY AND CITIC KA WAH BANK

The Group is principally engaged in toll bridge operation, environmental protection investment and operation, property investments and management, environmental protection project management and consultancy and investment holding. On Land, a wholly-owned subsidiary of the Company, is principally engaged in property investment business.

To the Directors' best knowledge, CITIC Ka Wah Bank is a licensed bank in Hong Kong and principally engaged in banking services. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, CITIC Ka Wah Bank and its ultimate beneficial owner(s) are not connected persons of the Company and are Independent Third Parties.

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of the Board of
China Everbright International Limited
CHEN Xiaoping
Chief Executive Officer

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. 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 herein 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) Share options in the Company

Name of Director	Date of grant	Exercise price (HK\$)	Exercise period	No. of underlying Shares pursuant to share options	Approximate percentage of the Company's total issued share capital
WANG Mingquan	29.09.03	0.296	29.03.2004 – 25.05.2013 (Note)	25,400,000	0.83%
LI Xueming	29.09.03	0.296	29.03.2004 – 25.05.2013 (Note)	18,000,000	0.59%
CHEN Xiaoping	29.09.03	0.296	29.03.2004 – 25.05.2013 (Note)	18,000,000	0.59%
FAN Yan Hok, Philip	29.09.03	0.296	29.03.2004 – 25.05.2013 (Note)	10,000,000	0.33%

Name of Director	Date of grant	Exercise price (HK\$)	Exercise period	No. of underlying Shares pursuant to share options	Approximate percentage of the Company's total issued share capital
HUANG Chaohua	29.09.03	0.296	29.03.2004 – 25.05.2013 (Note)	9,000,000	0.29%
WONG Kam Chung, Raymond	29.09.03	0.296	29.03.2004 – 25.05.2013 (Note)	9,000,000	0.29%
CHEN Shuang	29.09.03	0.296	29.03.2004 – 25.05.2013 (Note)	4,000,000	0.13%
ZHANG Weiyun	29.09.03	0.296	29.03.2004 – 25.05.2013 (Note)	4,000,000	0.13%
Sir David AKERS-JONES	29.09.03	0.296	29.03.2004 – 25.05.2013 (Note)	1,000,000	0.03%
LI Kwok Sing, Aubrey	29.09.03	0.296	29.03.2004 – 25.05.2013 (Note)	1,000,000	0.03%

Note: 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 29.03.2004 to 25.05.2013, 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 29.09.2004 to 25.05.2013.

(b) Share options in China Everbright Limited (“CEL”), an associated corporation (within the meaning of Part XV of the SFO) of the Company

Name of Director	Date of grant	Exercise price (HK\$)	Exercise period	No. of underlying shares of CEL pursuant to share options	Approximate percentage of the total issued share capital of CEL
WANG Mingquan	07.07.03	2.375	08.07.2004 – 07.01.2007	3,000,000	0.19%
	03.05.05	2.850	04.05.2006 – 03.05.2010	1,920,000	0.12%
CHEN Shuang	03.09.04	3.225	04.09.2005 – 03.03.2008	750,000	0.05%
	03.05.05	2.850	04.05.2006 – 03.05.2010	1,280,000	0.08%

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) The Company

Name of substantial Shareholder	Capacity	Interests in Shares	Approximate percentage of the Company's total issued share capital
China Everbright Holdings Company Limited ("CEH")	Beneficial owner	1,758,595,910 (Note 1)	57.44%

Note:

- 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. WANG Mingquan, Mr. Zang Qiutao, Mr. LI Xueming, Mr. CHEN Xiaoping and Mr. CHEN Shuang, five of the executive Directors, are also directors of CEH. Ms. ZHANG Weiyun, another executive Director, is also an employee of CEH.
- Mr. WANG Mingquan, Mr. CHEN Xiaoping and Ms. ZHANG Weiyun, three 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) Subsidiaries

Name of subsidiary of the Company	Name of substantial shareholder	Number and class of shares held	Approximate percentage 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.

4. SERVICE CONTRACTS

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.

5. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors or their respective associates had any interest in any business which competes or may compete, either directly or indirectly with any business of the Group.

6. LITIGATION

As at the Latest Practicable Date, so far as the Directors are aware, no member of the Group 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. GENERAL

- (a) 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.
- (b) 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.
- (c) The registered office of the Company is situated at Room 2703, 27th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (d) The share registrar and transfer office of the Company is Tengis Limited of 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text in case of inconsistency.