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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, stockbroker 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: 0257)**

**DISCLOSEABLE TRANSACTION  
ACQUISITION OF WASTE WATER TREATMENT PLANTS  
IN JINAN CITY, SHANDONG PROVINCE, THE PRC**

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22 November 2006

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## DEFINITIONS

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

“Acquisition”	acquisition by the Project Company of the Transferred Assets from Jinan State-owned Assets Commission pursuant to the Asset Transfer Agreement
“Asset Transfer Agreement”	asset transfer agreement entered into between Jinan State-owned Assets Commission and the Project Company on 31 October 2006 in respect of the Acquisition
“Board”	board of Directors
“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 of Hong Kong Limited
“Concession Right Agreement”	concession right agreement entered into between Jinan Utilities Authority and the Project Company on 31 October 2006 in respect of the granting of an exclusive right to the Project Company to operate the Waste Water Treatment Plants during the Term
“Cooperative Agreement”	cooperative agreement entered into between Jinan State-owned Assets Commission, Jinan Utilities Authority and Everbright Water Investments on 23 June 2006 in respect of certain terms of the Acquisition and the establishment of the Project Company
“Directors”	directors of the Company
“Employee Arrangement Agreement”	employee arrangement agreement entered into between Jinan Utilities Authority and the Project Company on 31 October 2006 in respect of the arrangement for the existing employees of the Waste Water Treatment Plants
“Everbright Water Investments”	China Everbright Water Investments Limited (中國光大水務投資有限公司), a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company

## DEFINITIONS

“First Announcement”	announcement of the Company dated 23 June 2006 published pursuant to Rule 13.09(1) of the Listing Rules relating to the Cooperative Agreement
“Group”	the Company and its subsidiaries
“Independent Third Parties”	third parties not connected with any director, chief executive or substantial shareholder of the Company or any of its subsidiaries or their respective associates according to the Listing Rules
“Jinan State-owned Assets Commission” or “Transferor”	濟南市人民政府國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of Jinan People’s Government*)
“Jinan Utilities Authority”	濟南市市政公用事業局 (Jinan Municipal Public Utilities Authority*)
“Latest Practicable Date”	17 November 2006, 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”	Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China
“Project”	investment in the business of waste water treatment service in Jinan City, the PRC through the acquisition and operation of the Waste Water Treatment Plans and to provide waste water treatment service in certain specified areas in Jinan City pursuant to the Project Agreements
“Project Agreements”	the Asset Transfer Agreement, the Concession Rights Agreement and the Waste Water Treatment Service Agreement
“Project Company” or “Transferee”	Everbright Water (Ji’nan) Limited, a wholly foreign owned enterprise with registered capital of US\$18,500,000 approximately (HK\$144,115,000) established in the PRC and wholly owned by Everbright Water Investments which shall operate as a project company to carry out the Project

\* For identification purpose only

## DEFINITIONS

“Second Announcement”	announcement of the Company dated 31 October 2006 relating to the Acquisition
“Shareholder(s)”	registered holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has meaning ascribed to it under the Listing Rules
“Term”	a period of 30 years commencing from the date of completion of the transfer of the Transferred Assets pursuant to the Asset Transfer Agreement
“Transferred Assets”	assets relating to the Waste Water Treatment Plants to be transferred by Jinan state-owned Assets Commission to the Project Company pursuant to the Asset Transfer Agreement
“Waste Water Treatment Plant No. 1”	waste water treatment plant no. 1 situated in Jinan City which is a state-owned asset held by the Jinan People’s Government as at the date of the Asset Transfer Agreement including all facilities and equipments in connection therewith, the assets relating to such plant were valued at RMB221,716,000 (approximately HK\$218,346,000) as at 31 December 2005 by Shandong Tianyuantongtai Certified Public Accountants Company Limited, a third party independent to the Company and its associates, using the replacement cost method
“Waste Water Treatment Plant No. 2”	waste water treatment plant no. 2 situated in Jinan City which is a state-owned asset held by the Jinan People’s Government as at the date of the Asset Transfer Agreement including all facilities and equipments in connection therewith, the assets relating to such plant were valued at RMB231,994,000 (approximately HK\$228,468,000) as at 31 October 2005 by Shandong Xin Lianyi Certified Public Accountants Company Limited, a third party independent to the Company and its associates, using the replacement cost method
“Waste Water Treatment Plants”	Waste Water Treatment Plant No. 1 and Waste Water Treatment Plant No. 2

## DEFINITIONS

“Waste Water Treatment Service Agreement”	the waste water treatment service agreement entered into between Jinan Utilities Commission and the Project Company on 31 October 2006 in respect of the provision of waste water treatment service by the Project Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

*In this circular, for reference purpose only and unless otherwise stated, the conversion of RMB into HK\$ is calculated by using an exchange rate of RMB1.00 to HK\$0.9848 and the conversion of US\$ into HK\$ is calculated by using an exchange rate of US\$1.00 to HK\$7.79. No representation is made that any amounts in RMB or HK\$ have been or could have been or could be converted at the above rate or at any other rates or at all.*



**CHINA EVERBRIGHT INTERNATIONAL LIMITED**

**中國光大國際有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 0257)**

*Executive Directors:*

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

22 November 2006

*To the Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION  
ACQUISITION OF WASTE WATER TREATMENT PLANTS  
IN JINAN CITY, SHANDONG PROVINCE, THE PRC**

**BACKGROUND**

Reference is made to the First Announcement in relation to the Cooperative Agreement relating to the Acquisition and the establishment of the Project Company.

As disclosed in the First Announcement, in order to improve operational efficiency of public utilities in Jinan City, the Jinan People's Government had decided to authorize Jinan State-owned Assets Commission to transfer the Transferred Assets to the Project Company to be established by Everbright Water Investments. On 23 June 2006, Jinan State-owned Assets Commission and Jinan Utilities Authority entered into the Cooperative Agreement with Everbright Water Investments in respect of certain terms of the Acquisition and the establishment of the Project Company. Save for the Cooperative Agreement, the Group has not entered into any prior transaction with Jinan State-owned Assets Commission and/or Jinan Utilities Authority.

## LETTER FROM THE BOARD

On 10 October 2006, the Project Company was established by Everbright Water Investments. Pursuant to the Cooperative Agreement, Jinan State-owned Assets Commission, Jinan Utilities Authority and the Project Company desire to enter into the Asset Transfer Agreement as well as the Concession Right Agreement, the Waste Water Treatment Service Agreement and the Employee Arrangement Agreement.

### INTRODUCTION

On 31 October 2006, the Board announced in the Second Announcement that, on the same date, the Project Company entered into the Asset Transfer Agreement with Jinan State-owned Assets Commission for the Acquisition.

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

### THE ASSET TRANSFER AGREEMENT

**Date:** 31 October 2006

**Parties:**

**Transferor:** Jinan State-owned Assets Commission. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Jinan State-owned Assets Commission and Jinan Utilities Authority (a party to the Concession Right Agreement and the Waste Water Treatment Service Agreement) and their ultimate beneficial owners are not connected persons of the Company and are Independent Third Parties.

**Transferee:** The Project Company, a wholly foreign owned enterprise set up by Everbright Water Investments in the PRC on 10 October 2006 and an indirect wholly owned subsidiary of the Company.

**Assets to be acquired:**

Jinan State-owned Assets Commission agreed to sell and the Project Company agreed to acquire the Transferred Assets which comprise the assets relating to the Waste Water Treatment Plants valued at an aggregate amount of RMB453,710,000 (approximately HK\$446,814,000).

The Waste Water Treatment Plants comprise a total of two waste water treatment factories. The two waste water treatment factories are yet to commence commercial operation, accordingly historical revenue and profit relating to the Transferred Assets which are relevant to the Shareholders are not available. Upon completion of the Asset Transfer Agreement, waste water treatment service charge payable by Jinan Utilities Authority will be determined in accordance with the terms of the Waste Water Treatment Agreement and the waste water treatment factories will be in operation to generate waste water treatment service charges for the Project Company.



## LETTER FROM THE BOARD

### **Consideration and payment terms:**

The total consideration for the Acquisition shall be RMB400,000,000 (approximately HK\$393,920,000).

35% of the total consideration being RMB140,000,000 (approximately HK\$137,872,000) shall be paid by the Transferee to the Transferor within five working days from the date of signing of the Asset Transfer Agreement. As at the date of this circular, the consideration of RMB140,000,000 has been paid by way of cash from internal resources of the Transferee.

The remaining 65% of the total consideration being RMB260,000,000 (approximately HK\$256,048,000) shall be paid by the Transferee within six months after the date of the signing of the Asset Transfer Agreement, which is expected to be funded by way of bank borrowing.

The consideration has been arrived at after arm's length negotiations between the Transferor and the Project Company with reference to the valuation of Waste Water Treatment Plant No. 1 as at 31 December 2005 and the valuation of Waste Water Treatment Plant No. 2 as at 31 October 2005 of an aggregate amount of RMB453,710,000 (approximately HK\$446,814,000) prepared using the replacement cost method and a discount of approximately RMB53,710,000 (approximately HK\$52,894,000) offered by the Transferor being the estimated expenses for pre-transfer performance test, estimated costs relating to the staff arrangement pursuant to the Employee Arrangement Agreement and estimated costs for repair and replacement as a result of any imperfection or defects of the Transferred Assets.

### **Completion of the Asset Transfer:**

The asset transfer is not subject to any condition precedent. Completion of the transfer of the Transferred Assets is estimated to take place within six months after the date of the signing of the Asset Transfer Agreement.

### **Concession Right Agreement:**

Pursuant to the Concession Right Agreement, the Project Company was granted the exclusive right to, *inter alia*, operate the Waste Water Treatment Plants to provide waste water treatment service in certain specified areas in Jinan City during the Term, with further right to invest, construct, operate and provide reusable water generation service during the Term depending on the water resources development plans and market demands of Jinan City at the relevant time, and to collect service charges in connection therewith during the Term. In the event that the waste water treatment capacity of the Waste Water Treatment Plants shall become insufficient to process all waste water generated in the specified areas, Jinan State-owned Assets Commission and Jinan Utilities Authority may permit the construction of new waste water treatment facilities in the same area but the Project Company shall have the first right to invest, construct and operate such new facilities to provide further waste water treatment services to the specified areas.

## LETTER FROM THE BOARD

The Group's treatment of the Transferred Assets shall be consistent with the Group's existing accounting treatment of similar assets. The fair value of the Transferred Assets are recognised as finance lease receivables. The lease receivables are reduced when lease payments, being a portion of the waste water treatment service charges, are received and an imputed finance lease income on the lease receivables is recognised using an estimate of the lessee's incremental borrowing rate of interest. Upon expiry of the Term, it is expected that the Transferred Assets shall be almost fully amortised and the Transferred Assets shall be transferred back to Jinan People's Government at nil consideration and the Project Company shall cease to have any rights and obligations under the Concession Right Agreement, and the Waste Water Treatment Service Agreement and the Asset Transfer Agreement shall be automatically terminated simultaneously.

### **Waste Water Treatment Service Agreement:**

Pursuant to the Waste Water Treatment Service Agreement, Jinan Utilities Authority agreed to engage the service of the Project Company to provide waste water treatment service to certain specified areas in Jinan City during the Term and the Project Company shall receive monthly service charges from Jinan Utilities Authority based on the volume of waste water processed during the Term. The monthly service charges shall be paid by Jinan Utilities Authority to the Project Company on a monthly basis.

The Project Company shall during the Term have the obligations to maintain the facilities and equipments of the Waste Water Treatment Plants in good condition in accordance with all applicable PRC regulatory requirements and standards and the provisions of the Waste Water Treatment Service Agreement. In the event that any of the facilities or equipments is incapable of providing normal waste water treatment service in accordance with the Waste Water Treatment Service Agreement, the Project Company shall have the obligation to promptly repair or upgrade such facilities and equipments.

### **Employee Arrangement Agreement:**

Pursuant to the Employee Arrangement Agreement, Jinan Utilities Commission and the Project Company have agreed certain staff arrangement for the staff currently employed at the Waste Water Treatment Plants. A total of 150 employees shall be retained to operate Waste Water Treatment Plant No. 1 and a total of 124 employees shall be retained to operate Waste Water Treatment Plant No. 2. Employees who are not to be retained shall be compensated according to the relevant PRC employment regulations.

### **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Group has been developing the environmental protection businesses since 2002. Urban sewage treatment has been one of the development directions of the Group's environmental protection business. To date, the Group has participated in waste water treatment projects in Qingdao City and in Zibo City, the PRC which have shown encouraging progress. Riding on the success of the above projects, the Group intends to expand its environmental protection business in Shandong Province, the PRC which prove to have good potential for development of environmental protection business.

## LETTER FROM THE BOARD

The Board (including the independent non-executive Directors) believes that the Acquisition and the Project will further strengthen the Group's environmental protection business and the terms of the transactions under the Asset Transfer Agreement and other related agreements (which are determined with reference to, among other things, the valuation conducted on the Transferred Assets within a period of 12 months, the discount offered by the Transferor, the ability for the Group to be exposed to a market with potential, to utilize the Transferred Assets which can commence commercial operations in the short term and to charge service fees based on volume) are in normal commercial terms, fair and reasonable and in the interests of the Shareholders as a whole.

### FINANCIAL EFFECTS OF THE ACQUISITION

The Company has paid an amount of US\$18,500,000 (approximately HK\$144,115,000) being the registered capital of the Project Company by cash from internal resources and the remaining amount of RMB253,661,000 (approximately HK\$249,805,000) is expected to be funded by way of bank borrowing of the Project Company.

It is expected that the Group's non current assets will be increased by approximately HK\$446,814,000 (subject to business valuation) following completion of the Acquisition, whilst current assets will decrease and long-term liabilities will increase depending on the proportion of the consideration funded from internal resources and external finance. The Company believes that the Acquisition will have a positive effect on the earnings of the Group subsequent to completion of the Acquisition, although the quantum cannot be ascertained at present, which will depend on the final terms for the provision of services.

### INFORMATION ABOUT THE GROUP

The Group is principally engaged in toll bridge operation, property investment and management, environmental protection investment and operation, environmental protection project management and consultancy and investment holdings. To the best of the Company's knowledge, Jinan Utilities Authority is principally engaged in the provision of waste water treatment service.

### DISCLOSEABLE TRANSACTION

Taking into account the consideration of RMB400,000,000 (approximately HK\$393,920,000) for the Acquisition, the Asset Transfer Agreement constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules, and will accordingly be subject to reporting and announcement under the Listing Rules but no shareholders' approval is required. This document constitutes the circular which the Company is required to send to the Shareholders pursuant to the Listing Rules in respect of the Acquisition.

**LETTER FROM THE BOARD**

**ADDITIONAL INFORMATION**

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

Yours faithfully,  
For and on behalf 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 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 position in the shares of the Company

Name of Director	Capacity	Nature of interests	Number of Shares held	Approximate % of the Company's total issued share capital (%)
FAN Yan Hok, Philip	Beneficial owner	Personal	5,000,000	0.16

## (b) Long position in the share options of the Company

Name of Director	Date of grant	Exercise price (HK\$)	Exercise period	No. of underlying Shares pursuant to share options	Approximate % of the Company's total issued share capital (%)
WANG Mingquan	29.09.2003	0.296	29.03.2004 – 25.05.2013 (Note 1)	25,400,000	0.83
	03.08.2006	0.850	03.08.2007 – 25.05.2013 (Note 2)	5,000,000	0.16
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	0.59
	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	0.59
	03.08.2006	0.850	03.08.2007 – 25.05.2013 (Note 2)	5,000,000	0.16
FAN Yan Hok, Philip	29.09.2003	0.296	29.09.2004 – 25.05.2013	5,000,000	0.16
	03.08.2006	0.850	03.08.2007 – 25.05.2013 (Note 2)	4,000,000	0.13

Name of Director	Date of grant	Exercise price (HK\$)	Exercise period	No. of underlying Shares pursuant to share options	Approximate % of the Company's total issued share capital (%)
HUANG Chaohua	29.09.2003	0.296	29.03.2004 – 25.05.2013 (Note 1)	9,000,000	0.29
	03.08.2006	0.850	03.08.2007 – 25.05.2013 (Note 2)	3,000,000	0.10
WONG Kam Chung, Raymond	29.09.2003	0.296	29.09.2004 – 25.05.2013	4,500,000	0.15
	03.08.2006	0.850	03.08.2007 – 25.05.2013 (Note 2)	3,000,000	0.10
CHEN Shuang	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
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
LI Kwok Sing, Aubrey	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 29.03.2004 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.
- (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 03.08.2007 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 03.08.2008 to 25.05.2013.
- (c) **Long position in the share options of 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 % of the total issued share capital of CEL (%)
WANG Mingquan	07.07.2003	2.375	08.07.2004 – 07.01.2007	3,000,000	0.19
	03.05.2005	2.850	04.05.2006 – 03.05.2010	1,920,000	0.12
CHEN Shuang	03.09.2004	3.225	04.09.2005 – 03.03.2008	750,000	0.05
	03.05.2005	2.850	04.05.2006 – 03.05.2010	1,280,000	0.08

The table below shows the posts held by Directors in the Company and CEL respectively as at the Latest Practicable Date:

*The Company*

Name of Director	Posts held in the Company
WANG Mingquan	Executive Director and Chairman
CHEN Shuang	Executive Director



*CEL*

<b>Name of Director</b>	<b>Posts held in CEL</b>
WANG Mingquan	Executive Director and Chairman
CHEN Shuang	Executive Director and Deputy General Manager

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

### 3. SUBSTANTIAL SHAREHOLDERS

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

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

<b>Name of substantial Shareholder</b>	<b>Capacity</b>	<b>Interests in Shares</b>	<b>Approximate % of the Company's total issued share capital (%)</b>
China Everbright Holdings Company Limited ("CEH")	Beneficial owner	1,758,595,910 (Note 1)	57.17

*Notes:*

- Out of the 1,758,595,910 Shares, 1,758,215,910 Shares are held by Guildford Limited ("Guildford"). Guildford is owned as to 55% by Datten Investments Limited ("Datten") and as to 45% by CEH. Datten is a wholly-owned subsidiary of CEH. The remaining 380,000 Shares are held by Everbright Investment & Management Limited ("EIM"), a wholly-owned subsidiary of CEH. Accordingly, CEH is deemed to be interested in the 1,758,215,910 Shares held by Guildford and the 380,000 Shares held by EIM.

2. 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.
3. Mr. WANG Mingquan, Mr. CHEN Xiaoping and Ms. ZHANG Weiyun, three of the executive Directors, are also directors of Guildford.
4. 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 position in the shares of or interest in the subsidiaries of the Company**

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

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

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

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

**4. 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 2005, 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.

**5. 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.

**6. COMPETING INTEREST**

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

**7. 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 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.