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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 IN RELATION TO PROPOSED SPIN-OFF AND SEPARATE LISTING OF THE GREENTECH BUSINESS ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED**

## THE PROPOSED SPIN-OFF

The Company refers to the Announcements made by it relating to the Proposed Spin-off.

The Proposed Spin-off is expected to be implemented by way of the Global Offering which will consist of the Hong Kong Public Offering and the International Offering (with the Preferential Offering to the Qualifying Shareholders), and a separate Listing of the CEGL Shares on the Main Board of the Stock Exchange.

It is expected that if the Global Offering proceeds, the total number of CEGL Shares to be offered under the Global Offering will be 560,000,000 CEGL Shares (assuming that the Over-allotment Option is not exercised), representing 28% of the issued share capital of CEGL immediately following completion of the Global Offering, and 644,000,000 CEGL Shares (assuming that the Over-allotment Option is exercised in full), representing approximately 30.9% of the issued share capital of CEGL immediately following completion of the Global Offering. The total number of CEGL Shares which is expected to be in issue immediately following completion of the Global Offering is 2,000,000,000 CEGL Shares (assuming that the Over-allotment Option is not exercised).

If the Global Offering proceeds, the Offer Price is expected to be not less than HK\$5.18 per CEGL Share and not more than HK\$5.90 per CEGL Share (exclusive of brokerage fee, SFC transaction levy and Stock Exchange trading fee).

It is currently expected that CEGL will grant to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters, the Over-allotment Option to require CEGL to issue and allot additional CEGL Shares representing up to 15% of the initial Offer Shares at the Offer Price under the International Offering to cover the over-allocations in the International Offering, if any.

The final structure of the Proposed Spin-off, including the size of the Global Offering and the exact apportionment between the Hong Kong Public Offering, the International Offering and the Preferential Offering will be decided by the Board and the board of directors of CEGL.

The Offer Shares to be issued pursuant to the Global Offering will rank *pari passu* in all respects with all the CEGL Shares then in issue. Based on the current structure of the Proposed Spin-off which is subject to finalization, assuming that the Over-allotment Option is not exercised, immediately following completion of the Proposed Spin-off, the Company will continue to hold approximately 72% of all the CEGL Shares in issue. If the Over-allotment Option is exercised in full, the Company's indirect shareholding in CEGL will be reduced to approximately 69.1%. In any of these events, CEGL will continue to be a subsidiary of the Company upon completion of the Proposed Spin-off and the operating results of the CEGL will continue to be consolidated into the consolidated financial statements of the Group.

## **PUBLICATION OF THE PROSPECTUS**

CEGL published the Prospectus on 21 April 2017, which is available for download from the websites of CEGL at <http://www.ebgreentech.com> and the Stock Exchange at <http://www.hkexnews.hk>.

Printed copies of the Prospectus and the related application forms may be obtained, free of charge, at designated locations specified in (a) the formal notice issued by CEGL on 21 April 2017; and (b) the Prospectus, during normal business hours from 9:00 a.m. on 21 April 2017 until 12:00 noon on 27 April 2017.

## **PREFERENTIAL OFFERING**

A **BLUE** Application Form, together with a printed copy of the Prospectus, has been despatched to each Qualifying Shareholder at the address of such Qualifying Shareholder recorded on the register of members of the Company as at 4:30 p.m. on the Record Date.

**Shareholders are reminded that this announcement is not intended to be and does not constitute an offer or any invitation to apply for their Assured Entitlement under the Preferential Offering. Such offer or invitation is made through the Prospectus and Shareholders should refer to the Prospectus for details of the offer and the invitation to them under the Preferential Offering.**

## **LISTING RULES IMPLICATIONS**

The Proposed Spin-off constitutes a deemed disposal of the interest in a subsidiary of the Company under Rule 14.29 of the Listing Rules. As the highest of the applicable percentage ratio in respect of the Proposed Spin-off exceeds 5% but is less than 25%, the Proposed Spin-off will constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules. The Proposed Spin-off is therefore subject to the reporting and announcement requirements but is exempt from the shareholders' approval requirements under Chapter 14 of the Listing Rules.

## **GENERAL**

The timetable for the Global Offering, including the Preferential Offering, has been set out in the Prospectus. The Company will make further announcement(s) in relation to the Proposed Spin-off and the Listing in accordance with the requirements of the Listing Rules as and when appropriate.

**The Board wishes to emphasize that the Global Offering (including the Preferential Offering) is subject to, among other things, the granting of listing of, and permission to deal in, the CEGL Shares on the Stock Exchange, and the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been signed and becoming unconditional. Accordingly, Shareholders and potential investors of the Company should be aware that there is no assurance that the Proposed Spin-off and the Listing will take place and, if so, when they may take place. Shareholders and potential investors of the Company should exercise caution when dealing in or investing in the securities of the Company.**

## 1. INTRODUCTION

The Company refers to the announcements made by it dated 10 November 2015, 8 June 2016, 29 March 2017, 30 March 2017, 12 April 2017 and 13 April 2017 (the “Announcements”) relating to the Proposed Spin-off. Unless otherwise defined herein, capitalized terms in this announcement have the same respective meanings given to them in the Announcements.

## 2. THE PROPOSED SPIN-OFF

The Proposed Spin-off is expected to be implemented by way of the Global Offering which will consist of the Hong Kong Public Offering and the International Offering (with the Preferential Offering to the Qualifying Shareholders), and a separate Listing of the CEGL Shares on the Main Board of the Stock Exchange. Further information on the Preferential Offering is set out in the paragraph headed “Preferential Offering” below.

It is expected that if the Global Offering proceeds, the total number of CEGL Shares to be offered under the Global Offering will be 560,000,000 CEGL Shares (assuming that the Over-allotment Option is not exercised), representing 28% of the issued share capital of CEGL immediately following completion of the Global Offering, and 644,000,000 CEGL Shares (assuming that the Over-allotment Option is exercised in full), representing approximately 30.9% of the issued share capital of CEGL immediately following completion of the Global Offering. The total number of CEGL Shares which is expected to be in issue immediately following completion of the Global Offering is 2,000,000,000 CEGL Shares (assuming that the Over-allotment Option is not exercised).

If the Global Offering proceeds, the Offer Price is expected to be not less than HK\$5.18 per Offer Share and not more than HK\$5.90 per Offer Share (exclusive of brokerage fee, SFC transaction levy and Stock Exchange trading fee).

It is currently expected that CEGL will grant to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters, the Over-allotment Option to require CEGL to issue and allot additional CEGL Shares representing up to 15% of the initial Offer Shares at the Offer Price under the International Offering to cover the over-allocations in the International Offering, if any.

The final structure of the Proposed Spin-off, including the size of the Global Offering and the exact apportionment between the Hong Kong Public Offering, the International Offering and the Preferential Offering will be decided by the Board and the CEGL board.

The Offer Shares to be issued pursuant to the Global Offering will rank *pari passu* in all respects with all the CEGL Shares then in issue. Based on the current structure of the Proposed Spin-off which is subject to finalization, assuming that the Over-allotment Option is not exercised, immediately following completion of the Proposed Spin-off, the Company will continue to hold approximately 72% of all the CEGL Shares in issue. If the Over-allotment Option is exercised in full, the Company’s indirect shareholding in CEGL will be reduced to

approximately 69.1%. In any of these events, CEGL will continue to be a subsidiary of the Company upon completion of the Proposed Spin-off and the operating results of the CEGL will continue to be consolidated into the consolidated financial statements of the Group.

On the basis of the above, immediately following completion of the Proposed Spin-off, CEGL will have a public float of not less than 25%, and will be able to comply with the minimum public float requirement under Rule 8.08 of the Listing Rules.

### **Separate listing of the CEGL Shares**

On 26 January 2017, CEGL submitted a listing application form (Form A1) to the Stock Exchange for an application for the listing of, and permission to deal in, the CEGL Shares on the Main Board of the Stock Exchange. CEGL will remain as a subsidiary of the Company upon completion of the Proposed Spin-off.

The Company is required to comply with the requirements under Practice Note 15 of the Listing Rules. The Directors confirm that the Company will comply with all requirements of the Listing Rules in respect of the Proposed Spin-off. The Listing of the CEGL Shares on the Main Board of the Stock Exchange is conditional upon the fulfilment or waiver of conditions stated in the paragraph headed “Conditions of the Proposed Spin-off” below.

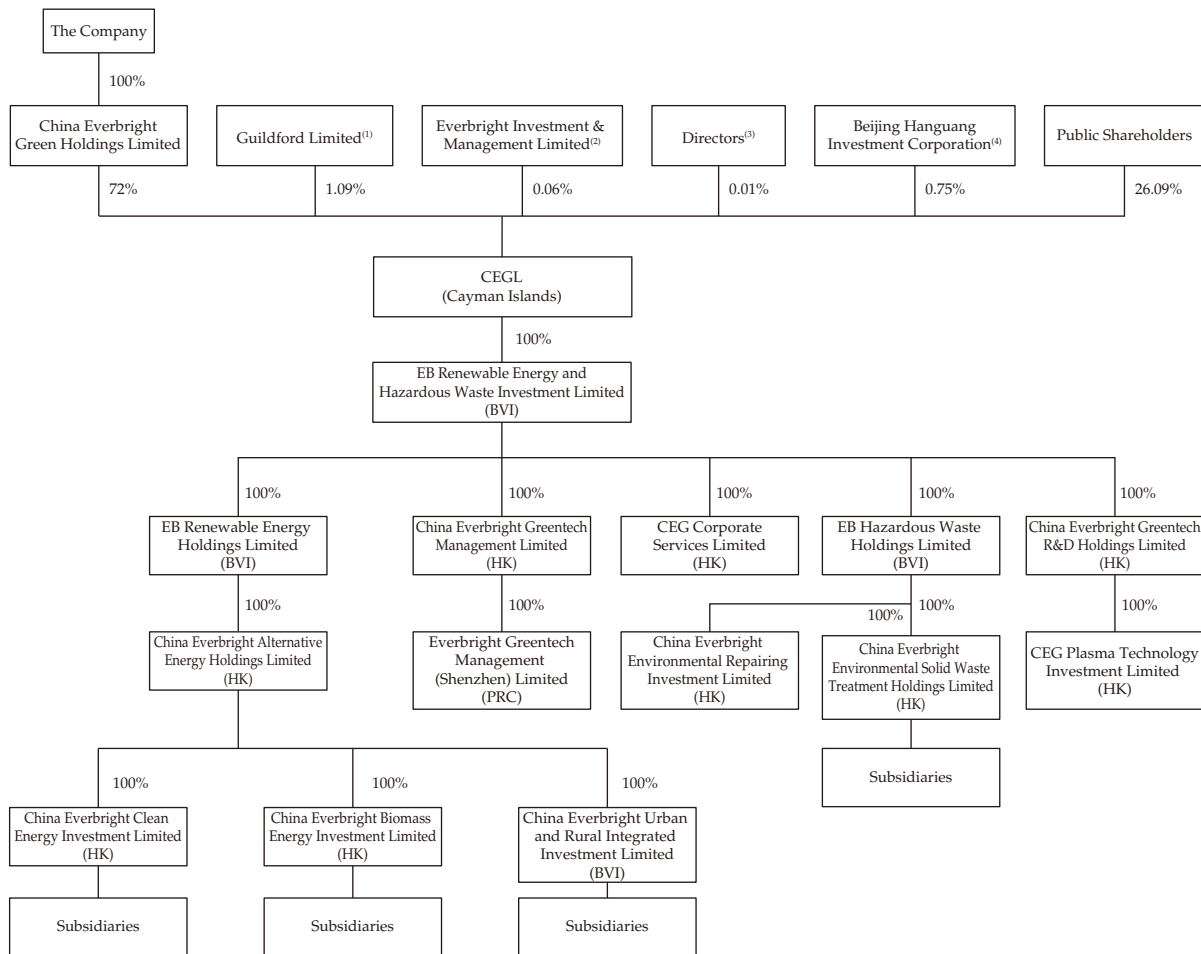
Subject to the Stock Exchange granting approval of the listing of, and permission to deal in, the CEGL Shares on the Main Board of the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the CEGL Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or such other date as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

The Shares will continue to be listed on the Main Board of the Stock Exchange after completion of the Proposed Spin-off.

### **Shareholding effects of the Proposed Spin-off**

Based on the current structure of the Proposed Spin-off, the number of CEGL Shares which will initially be available under the Global Offering is expected to represent 28% of the total number of CEGL Shares in issue immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised), and the Company’s equity interest in CEGL will be reduced to 72% (assuming that the Over-allotment Option is not exercised) or to approximately 69.1% (assuming that the Over-allotment Option is exercised in full) immediately following completion of the Global Offering.

The corporate structure of CEGL immediately after completion of the Proposed Spin-off (assuming that all Qualifying Shareholders take up their respective Assured Entitlements under the Preferential Offering in full, without taking into account any CEGL Shares which may be issued pursuant to the exercise of the Over-allotment Option) is set out below:



*Notes:*

- (1) As at the Latest Practicable Date, Guildford Limited is an indirect wholly-owned subsidiary of China Everbright Holdings Company Limited. As a Qualifying Shareholder, it will be entitled to apply for 21,706,369 Reserved Shares pursuant to the Preferential Offering, representing approximately 1.09% of CEGL's issued share capital upon completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised).
- (2) Everbright Investment & Management Limited is a wholly-owned subsidiary of China Everbright Holdings Company Limited. As a Qualifying Shareholder, it will be entitled to apply for 1,206,617 Reserved Shares pursuant to the Preferential Offering, representing approximately 0.06% of CEGL's issued share capital upon completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised).
- (3) Mr. Chen Xiaoping and Mr. Hu Yanguo, as Qualifying Shareholders, will be entitled to apply for 111,111 Reserved Shares and 1,728 Reserved Shares respectively, pursuant to the Preferential Offering, representing in aggregate approximately 0.01% of CEGL's issued share capital upon completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised).
- (4) Beijing Hanguang Investment Corporation is an indirect wholly-owned subsidiary of China Investment Corporation. Based on the Offer Price of HK\$5.18 (being the low end of the Offer Price range set out in the Prospectus), Beijing Hanguang Investment Corporation will subscribe for 15,002,000 CEGL Shares, representing approximately 0.75% of CEGL's issued share capital upon completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised). The CEGL Shares held by Beijing Hanguang Investment Corporation will not count towards the public float of the CEGL Shares.



### 3. INFORMATION ON THE REMAINING CEIL GROUP AND CEGL

#### Business overview of the CEGL Group

CEGL, through its subsidiaries, is principally engaged in the greentech business, which comprises (i) biomass, (ii) hazardous waste treatment, and (iii) solar energy and wind power.

The table below sets forth the breakdown of CEGL Group's revenue by segment for each of the three years ended 31 December 2014, 2015 and 2016:

	Year ended 31 December					
	2014		2015		2016	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
	<i>(HK\$ in thousands, except percentages)</i>					
Biomass	532,641	50.4	946,320	78.7	<b>2,449,253</b>	<b>81.6</b>
Hazardous waste treatment	453,091	42.8	164,194	13.6	<b>335,763</b>	<b>11.2</b>
Solar energy and wind power	<u>72,052</u>	<u>6.8</u>	<u>92,684</u>	<u>7.7</u>	<u><b>215,115</b></u>	<u><b>7.2</b></u>
Total	<u><u>1,057,784</u></u>	<u><u>100.0</u></u>	<u><u>1,203,198</u></u>	<u><u>100.0</u></u>	<u><u><b>3,000,131</b></u></u>	<u><u><b>100.0</b></u></u>

#### Business delineation between the business of the Remaining CEIL Group and the business of CEGL

The Remaining CEIL Group will, upon the Listing, be principally engaged in the Retained Business whilst the CEGL Group will principally engage in the Spin-off Business. The scope of business of each of the Retained Business and the Spin-off Business are different and members of the Remaining CEIL Group do not, and it is expected that they will not, engage in any business activities that compete or will compete with those of the CEGL Group.

The table below sets out the principal basis for delineation between the biomass business of the C EGL Group and the municipal waste-to-energy business of the Remaining CEIL Group:

<b>Key business and operation elements</b>	<b>Biomass business of C EGL Group</b>	<b>Municipal waste-to energy business of the Remaining CEIL Group</b>
Geographical location	Rural areas	Large metropolitans and cities
Business model	Collection of agricultural waste and forestal residue at cost, and subsequent processing of such waste and receive power tariff and steam supply fees supplying energy generated from such waste  Collection of household waste and receive waste treatment fees and subsequent processing of such waste through incineration to generate electricity	Collection of municipal waste and receive subsidies for such collection, and subsequent processing and incineration of such waste and receive power tariff supplying energy generated from such waste
Power generation	Yes	Yes
Suppliers of waste	Third party agents and local governments	Local governments
Cost/fee model of waste suppliers	Amount paid to third party agents for agricultural waste supplies as a result of commercial negotiation	Subsidies received from local governments for processing household waste Amount of subsidies received is standardized by government regulations
Electricity offtaker	Power grid	Power grid
Pricing arrangement for electricity generation	RMB0.75 per kilowatthour for electricity generated from agricultural waste and forestal residue  RMB0.65 per kilowatthour for electricity generated from household waste	RMB0.65 per kilowatthour
Main waste treatment facilities	Water cooling vibrating grate furnace, power station boiler, turbine and generator	Mechanical grate furnace, waste heat recovery boiler, turbine and generator
Waste treatment technology	Using the direct combustion technology to generate electricity or heat from the biomass raw materials without filtration process, subject to general flue gas treatment, slag and ash handling and wastewater treatment processes	Using the waste incineration technology to generate electricity from municipal household waste, subject to filtration process and relatively more complicated flue gas treatment, slag and ash handling and wastewater treatment processes due to the toxic and harmful chemicals released in the process

The biomass business of the C EGL Group and the municipal waste-to-energy business of the Remaining CEIL Group, despite both being waste-to-energy businesses, are clearly delineated as demonstrated by the various differences in their respective business models as set out in the table above. The municipal waste-to-energy business of the Remaining CEIL Group focuses on the processing of household waste collected in urban areas, while the C EGL Group’s biomass



energy business model focuses on the processing of agricultural waste collected in rural areas. The treatment of household and agricultural wastes is not the same and requires different locations, facilities and technologies to operate.

## **Underwriting agreements, lock-up restrictions and Stock Borrowing Agreement**

### *Underwriting agreements*

The Company has entered into the Hong Kong Underwriting Agreement in relation to the Hong Kong Public Offering with CEGL, the Joint Global Coordinators and the Hong Kong Underwriters. The Company will also enter into the International Underwriting Agreement relating to the International Offering with CEGL, the Joint Global Coordinators and the International Underwriters. The Offer Shares will be underwritten by the Underwriters subject to the terms set out in the underwriting agreements.

### *Lock-up restrictions*

Pursuant to Rule 10.07(1) of the Listing Rules, the Company has undertaken to CEGL and the Stock Exchange that it shall not, and shall procure that the relevant registered holder(s) shall not, without the prior written consent of the Stock Exchange, except pursuant to the Capitalization Issue, the Global Offering or the Over-allotment Option or the Stock Borrowing Agreement:

- (i) in the period commencing on the date by reference to which disclosure of its shareholding is made in the Prospectus and ending on and including, the date which is six months from the Listing Date (the “First Six-Month Period”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the CEGL Shares or securities in respect of which it is shown in the Prospectus to be the beneficial owner; or
- (ii) in the period of six months commencing on the date on which the First Six-Month Period expires (the “Second Six-Month Period”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any CEGL Shares or securities referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a controlling shareholder (as defined in the Listing Rules) of CEGL.

The Company has entered into similar non-disposal arrangements with the Hong Kong Underwriters under the Hong Kong Underwriting Agreement.

### *Stock Borrowing Agreement*

It is expected that the Company will enter into the Stock Borrowing Agreement with the Stabilizing Manager under the Global Offering. Further details about the stock borrowing arrangements has been set out in the Prospectus.

## Financial information of the C EGL Group

Set out below is certain selected financial information of the C EGL Group based on its audited combined financial statements for each of the three years ended 31 December 2014, 2015 and 2016:

	Year ended 31 December					
	2014		2015		2016	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
	<i>(HK\$ in thousands, except percentages)</i>					
<b>Revenue</b>	1,057,784	100.0	1,203,198	100.0	<b>3,000,131</b>	<b>100.0</b>
Direct costs and operating expenses	<u>(764,720)</u>	<u>(72.3)</u>	<u>(768,662)</u>	<u>(63.9)</u>	<u><b>(2,008,620)</b></u>	<u><b>(67.0)</b></u>
<b>Gross profit</b>	293,064	27.7	434,536	36.1	<b>991,511</b>	<b>33.0</b>
Other revenue	21,693	2.1	37,858	3.2	<b>67,897</b>	<b>2.3</b>
Other loss	(54)	(0.0)	(1,275)	(0.1)	<b>(9,684)</b>	<b>(0.3)</b>
Administrative expenses	<u>(63,425)</u>	<u>(6.0)</u>	<u>(101,710)</u>	<u>(8.5)</u>	<u><b>(197,747)</b></u>	<u><b>(6.6)</b></u>
<b>Profit from operations</b>	251,278	23.8	369,409	30.7	<b>851,977</b>	<b>28.4</b>
Finance costs	(26,228)	(2.5)	(41,202)	(3.4)	<b>(67,715)</b>	<b>(2.3)</b>
Share of loss of a joint venture	<u>—</u>	<u>—</u>	<u>(461)</u>	<u>(0.0)</u>	<u><b>(867)</b></u>	<u><b>(0.0)</b></u>
<b>Profit before taxation</b>	225,050	21.3	327,746	27.3	<b>783,395</b>	<b>26.1</b>
Income tax	<u>(25,373)</u>	<u>(2.4)</u>	<u>(56,302)</u>	<u>(4.7)</u>	<u><b>(153,873)</b></u>	<u><b>(5.1)</b></u>
<b>Profit for the year</b>	<u><u>199,677</u></u>	<u><u>18.9</u></u>	<u><u>271,444</u></u>	<u><u>22.6</u></u>	<u><u><b>629,522</b></u></u>	<u><u><b>21.0</b></u></u>

As at 31 December 2016, based on the audited financial statements of the C EGL Group, the net asset value of the C EGL Group was approximately HK\$4,200,582,000.

## 4. FINANCIAL IMPACT OF THE PROPOSED SPIN-OFF

The following estimates the financial impact of the Proposed Spin-off on the Group on the basis of the current structure of the Proposed Spin-off that C EGL will offer 28% of the total number of C EGL Shares in issue immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised) and is for illustration purposes only.

The actual financial impact of the Proposed Spin-off on the Group is subject to review by the Company's auditors.

### *Consolidation*

It is intended that the Company will continue to consolidate the financial results of CEGL as its subsidiary. Consequently, financial results of CEGL will be consolidated into the accounts of the Group and the profit attributable to non-controlling interests will increase.

### *Cash position*

Immediately following completion of the Proposed Spin-off, the overall cash position of the Group is expected to improve primarily due to the cash proceeds the Company will receive from the issue of the CEGL Shares. Accordingly, the net gearing of the Group is expected to decrease as a consequence of the Proposed Spin-off.

### *Net asset value*

The audited consolidated net assets of the CEGL Group were approximately HK\$4,200,582,000 as at 31 December 2016. Based on the number of Offer Shares and the current proposed structure of the Global Offering, the estimated minimum market capitalization of CEGL (assuming that the Over-allotment Option is not exercised) will be approximately HK\$10,360 million.

The Board expects that the consolidated net assets of the Group will be increased as a result of the issue of the CEGL Shares and the net proceeds raised from the Global Offering (the “**Increase in Net Assets**”). The consolidated cash balances are also expected to be increased by the net proceeds from the Global Offering.

The Group’s consolidated net asset value attributable to the Shareholders at the Listing Date may be different from the above estimated net asset value of the Group, as the difference between the proceeds the Group actually receives and the consolidated net asset value of CEGL to be disposed of may be different from the estimated amounts shown above and is subject to change upon the Listing.

### *Profit and loss*

In accordance with the Hong Kong Financial Reporting Standards, the Increase in Net Assets, which constitutes changes in a parent’s ownership interest in a subsidiary that do not result in a loss of control, is accounted for within equity. Therefore, there will be no gain or loss arising from the deemed disposal by the Company of its interest in CEGL under the Global Offering to be recognized in profit or loss of the Group, other than expenses directly incurred by the Group and also attributable expenses incurred by CEGL that have to be charged to the profit and loss account, given that CEGL will remain as a subsidiary of the Company immediately upon completion of the Proposed Spin-off and the Global Offering.

## 5. REASONS FOR AND BENEFITS OF THE PROPOSED SPIN-OFF

The Board considers that the Proposed Spin-off will bring about the following benefits to both the Company and CEGL:

*(i) Unlocking potential value of the CEGL Group*

The Spin-off will create an opportunity for new investors to invest in CEGL, and unlock the shareholder value for the Shareholders by better identifying and establishing the stand-alone corporate value of the greentech business. It is anticipated that this value will represent a substantial enhancement to the existing value of CEIL within the confines of CEIL to the benefit of the Shareholders;

*(ii) Focus and clarity of business*

The Spin-off will allow the different management teams of the CEIL Group and the CEGL Group to focus more effectively on their distinctive businesses, allowing for a more focused strategy and efficient resource allocation at both businesses. It will also facilitate dedicated management focus on further developing the CEGL Group and capturing opportunities arising in the greentech business due to favorable policy in the PRC;

*(iii) Create a separate investor base for the CEGL Group*

The Spin-off could better reflect the value of the CEGL Group on its own merits and increase its operational and financial transparency through which investors would be able to appraise and assess the performance and potential of the CEGL Group separately and distinctly from those of the Remaining CEIL Group; and

*(iv) Enhanced fund raising flexibility*

The Spin-off will enable CEGL to directly and independently access both equity and debt capital markets, and will facilitate CEGL in securing banking facilities, which in turn will increase the financing flexibility to achieve the business strategies of the CEGL Group.

In light of the above reasons, the Board (including the independent non-executive Directors) believes that the terms of the Proposed Spin-off are fair and reasonable, and that the Proposed Spin-off is in the best interests of the Shareholders and the Company as a whole.

## 6. CONDITIONS OF THE PROPOSED SPIN-OFF

The Proposed Spin-off, if it proceeds, will be conditional upon, among other things:

- (i) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Offer Shares in issue, and to be issued pursuant to the Capitalization Issue and the Global Offering (including the additional C EGL Shares which may be made available pursuant to the exercise of the Over-allotment Option) (subject only to allotment);
- (ii) the Offer Price having been duly agreed between C EGL and the Joint Global Coordinators (on behalf of the Underwriters) and the execution and delivery of the price determination agreement on or around the Price Determination Date;
- (iii) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and
- (iv) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements.

If any of these and other applicable conditions are not fulfilled or waived, if applicable, prior to the dates and times to be specified, or in any event, more than 30 days after the date of the Prospectus, the Proposed Spin-off will not proceed and an announcement will be published by the Company as soon as practicable thereafter.

## 7. PROPOSED USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

C EGL estimates that the aggregate net proceeds from the Global Offering (after deducting underwriting fees and estimated expenses payable by C EGL in connection with the Global Offering, and assuming an Offer Price of HK\$5.54 per Offer Share, being the mid-point of the indicative price range) will be approximately HK\$3,005.0 million (assuming that the Over-allotment Option is not exercised).

C EGL intends to apply such net proceeds in the following manner:

- Approximately HK\$2,404.0 million, or 80% of the total estimated net proceeds, is expected to be used for developing the Group's business in the PRC through capital contribution to the Group's pipeline projects for the development and construction of the facilities, among which:
  - o Approximately HK\$1,352.2 million, or 45% of the total estimated net proceeds, is expected to be used for the investment in biomass pipeline projects; and
  - o Approximately HK\$1,051.8 million, or 35% of the total estimated net proceeds, is expected to be used for the investment in hazardous waste treatment pipeline projects.

If suitable opportunities arise, CEGL may also allocate the proceeds to biomass or hazardous waste treatment projects that CEGL obtains after the Listing. The remaining funds required for the development of these projects are expected to be funded by the Group's internally generated cash and bank borrowings.

- Approximately HK\$300.5 million, or 10% of the total estimated net proceeds, is expected to be used for research and development and acquisitions of advanced technologies.
- Approximately HK\$300.5 million, or 10% of the total estimated net proceeds, is expected to be used for working capital and other general corporate purposes.

To the extent the net proceeds from the Global Offering are either more or less than expected, CEGL intends to apply the increase or decrease in net proceeds to the above purposes on a pro-rata basis.

If the Over-allotment Option is exercised in full or in part, CEGL intends to apply the additional net proceeds from the exercise of the Over-allotment Option to the above purposes on a pro-rata basis.

To the extent the net proceeds of the Global Offering are not immediately used for the above purposes and to the extent permitted by the relevant laws and regulations, CEGL intends to place such proceeds in short-term deposits with banks or financial institutions in Hong Kong or the PRC.

The above intended use of net proceeds from the Global Offering is indicative only and is subject to change. Further information on the application of the net proceeds from the Global Offering has been set forth in the Prospectus.

## **8. PUBLICATION OF THE PROSPECTUS**

CEGL published the Prospectus on 21 April 2017. The Prospectus is available for download from the websites of CEGL at <http://www.ebgreentech.com> and the Stock Exchange at <http://www.hkexnews.hk>.

Printed copies of the Prospectus and the related application forms may be obtained, free of charge, at designated locations specified in (a) the formal notice issued by CEGL on 21 April 2017; and (b) the Prospectus, during normal business hours from 9:00 a.m. on 21 April 2017 until 12:00 noon on 27 April 2017.

## **9. PREFERENTIAL OFFERING**

As disclosed in the announcement of the Company dated 12 April 2017, in order to enable the Shareholders to participate in the Global Offering on a preferential basis as to allocation only, subject to the Stock Exchange granting approval for the listing of, and permission to deal in, the CEGL Shares on the Main Board of the Stock Exchange and the Proposed Spin-off becoming unconditional, it is expected that Qualifying Shareholders will be invited to apply for an aggregate of 56,000,000 Reserved Shares in the Preferential Offering representing 10% of the



Offer Shares available under the Global Offering as Assured Entitlement. The Reserved Shares will be offered out of the International Offer Shares under the International Offering and will not be subject to reallocation.

The basis of the Assured Entitlement is one Reserved Share for every integral multiple of 81 Shares held by Qualifying Shareholders as at 4:30 p.m. on the Record Date.

Given the CEGL Shares will not be securities eligible for the Shanghai-Hong Kong Stock Connect or the Shenzhen-Hong Kong Stock Connect, the Southbound Shareholders of the Company will not be able to subscribe for the CEGL Shares under the Preferential Offering.

A **BLUE** Application Form, together with a printed copy of the Prospectus, has been despatched to each Qualifying Shareholder at the address of such Qualifying Shareholder recorded on the register of members of the Company as at 4:30 p.m. on the Record Date.

Assured Entitlements of Qualifying Shareholders to Reserved Shares are not transferable and there will be no trading in nil-paid entitlements on the Stock Exchange.

**Shareholders are reminded that this announcement is not intended to be and does not constitute an offer or any invitation to apply for their Assured Entitlement under the Preferential Offering. Such offer or invitation is made through the Prospectus and Shareholders should refer to the Prospectus for details of the offer and the invitation to them under the Preferential Offering.**

## **10. LISTING RULES IMPLICATIONS**

The Proposed Spin-off constitutes a deemed disposal of the interest in a subsidiary of the Company under Rule 14.29 of the Listing Rules. As the highest of the applicable percentage ratio in respect of the Proposed Spin-off exceeds 5% but is less than 25%, the Proposed Spin-off will constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules. The Proposed Spin-off is therefore subject to the reporting and announcement requirements but is exempt from the Shareholders' approval requirements under Chapter 14 of the Listing Rules.

## **11. GENERAL**

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Global Offering will not be extended to, among others, persons who are not Independent Third Parties, except that all Qualifying Shareholders (including connected persons of the Company who are Qualifying Shareholders) will be entitled to participate in the Preferential Offering.

**The Board wishes to emphasize that the Global Offering (including the Preferential Offering) is subject to, among other things, the granting of listing of, and permission to deal in, the CEGL Shares on the Stock Exchange, and the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been signed and**

**becoming unconditional. Accordingly, Shareholders and potential investors of the Company should be aware that there is no assurance that the Proposed Spin-off and the Listing will take place and, if so, when they may take place. Shareholders and potential investors of the Company should exercise caution when dealing in or investing in the securities of the Company.**

The timetable for the Global Offering, including the Preferential Offering, has been set out in the Prospectus. The Company will make further announcement(s) in relation to the Proposed Spin-off and the Listing in accordance with the requirements of the Listing Rules as and when appropriate.

## **12. DEFINITIONS**

“Board”	the board of directors of the Company
“Business Day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
“Capitalization Issue”	the issue of 1,439,996,000 Shares upon capitalization of certain sums standing to the credit of the share premium account of CEGL
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CEGL”	China Everbright Greentech Limited ( 中國光大綠色環保有限公司 ), an exempted company incorporated in the Cayman Islands on 13 October 2015 with limited liability. It has been registered in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance of Hong Kong (Chapter 622 of the Laws of Hong Kong)
“CEGL Group”	CEGL and its subsidiaries, or where the context so requires, in respect of the period before the Company became the holding company of the present subsidiaries, the business operated by such subsidiaries
“CEGL Share(s)”	ordinary share(s) in the share capital of CEGL
“CEIL” or the “Company”	China Everbright International Limited ( 中國光大國際有限公司 ), a company incorporated under the laws of Hong Kong, the shares of which are listed on the Stock Exchange (stock code: 257)
“CEIL Group”	the Company and its subsidiaries
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules

“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries, or where the context so requires, in respect of the period before the Company became the holding company of the present subsidiaries, the business operated by such subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong Financial Reporting Standards”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong Offer Shares”	the new CEGL Shares (subject to reallocation) initially being offered by CEGL for subscription in the Hong Kong Public Offering
“Hong Kong Public Offering”	the issue and offer of the Hong Kong Offer Shares for subscription in Hong Kong on and subject to the terms and conditions described in the Prospectus and the relevant application forms
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering
“Hong Kong Underwriting Agreement”	the conditional underwriting agreement dated 20 April 2017 relating to the Hong Kong Public Offering entered into by, among others, CEGL, the Company, the Joint Bookrunners and the Hong Kong Underwriters
“Independent Third Party(ies)”	individual(s) or company(ies) which is/are independent of the Company and its connected persons
“International Offering”	the placing of the International Offer Shares to professional, institutional and other investors
“International Offer Shares”	the CEGL Shares (subject to reallocation and the Over-allotment Option) initially being offered by CEGL for subscription under the International Offering
“International Underwriters”	the several underwriters for the International Offering who are expected to enter into the International Underwriting Agreement to underwrite the International Offering
“International Underwriting Agreement”	the conditional underwriting agreement expected to be entered into on or around 27 April 2017 by, among other parties, CEGL, the Company, the Joint Global Coordinators (for themselves and on behalf of the International Underwriters), in respect of the International Offering

“Joint Global Coordinators”	China International Capital Corporation Hong Kong Securities Limited, CEB International Capital Corporation Limited and China Everbright Securities (HK) Limited
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Date”	the date on which dealings in the CEGL Shares first commences on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Offer Price”	the final offer price per CEGL Share under the Global Offering
“Offer Share(s)”	the Hong Kong Offer Share(s) and the International Offer Share(s) (including, for the avoidance of doubt, the Reserved Shares)
“Over-allotment Option”	the option expected to be granted by CEGL to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters pursuant to the International Underwriting Agreement for the Listing
“Preferential Offering”	the preferential offering of CEGL Shares to the Qualifying Shareholders for subscription as Assured Entitlement in the Listing
“PRC”	the People’s Republic of China which, for the purpose of this announcement only, excludes the Hong Kong Special Administrative Region of the People’s Republic of China, the Macau Special Administrative Region of the People’s Republic of China, and Taiwan
“Price Determination Date”	the date, expected to be on or about 27 April 2017, on which the Offer Price is expected to be fixed for the purpose of the Global Offering, or any later date as may be agreed between CEGL and the Joint Global Coordinators (for themselves and on behalf of the International Underwriters), but, in any event, no later than 5 May 2017
“Qualifying Shareholders”	registered holders of Shares, whose name appeared on the register of members of CEIL as holding 81 or more Shares at 4:30 p.m. on the Record Date
“Remaining CEIL Group”	the CEIL Group following the Proposed Spin-off, excluding the CEGL Group

“Reserved Shares(s)”	the Offer Share(s) available in the Preferential Offering being offered by CEGE to Qualifying Shareholders pursuant to the Preferential Offering as Assured Entitlement at the Offer Price on and subject to the terms and conditions in the Prospectus and in the <b>BLUE</b> Application Form
“Retained Business”	the principal activities engaged by the Remaining CEIL Group
“Shares”	ordinary share(s) of the Company with no nominal value
“Spin-off Business”	the business engaged by CEGE
“Stabilizing Manager”	China International Capital Corporation Hong Kong Securities Limited
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between the Company and the Stabilizing Manager on or about the Price Determination Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Underwriters”	the Hong Kong Underwriters and/or the International Underwriters

By Order of the Board  
**China Everbright International Limited**  
**Poon Yuen Ling**  
*Company Secretary*

Hong Kong, 21 April 2017

*As at the date of this announcement, the Board comprises: (i) five executive directors, namely Mr. Cai Yunge (Chairman), Mr. Chen Xiaoping (Chief Executive Officer), Mr. Wang Tianyi, Mr. Wong Kam Chung, Raymond and Mr. Cai Shuguang; (ii) a non-executive director, namely Mr. Tang Shuangning; and (iii) four independent non-executive directors, namely Mr. Fan Yan Hok, Philip, Mr. Mar Selwyn, Mr. Li Kwok Sing, Aubrey and Mr. Zhai Haitao.*