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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)

MAJOR TRANSACTION

DISPOSAL OF INTERESTS IN NEWTON INDUSTRIAL LIMITED AND RESUMPTION OF TRADING

On 28 August 2006, the Company entered into the Agreement to dispose of the Transferred Interests, representing the Company's entire 44.12% equity interest in Newton Industrial, the principal underlying asset of which is 34% equity interest in Mawan which is currently operating two power plants in Shenzhen, the PRC. Pursuant to the Agreement, the Company has agreed to sell and the Purchaser has agreed to acquire the Transferred Interests for a consideration of RMB663,626,955 (equivalent to approximately HK\$641,595,000).

Upon completion of the Agreement, the Group is expected to realize an estimated gain of approximately HK\$325,105,000 (before taxation and expenses).

As the applicable percentage ratio(s) as defined in the Listing Rules exceed(s) 25% but less than 75%, the Disposal constitutes a major transaction for the Company under the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

No Shareholders are required to abstain from voting at the EGM in respect of the resolution to approve the Disposal and the Company has obtained from Guildford, which currently holds 1,758,215,910 Shares, representing approximately 57.42% of the issued share capital of the Company, written approval for the Agreement, the Disposal and the transactions contemplated thereunder. Pursuant to Rule 14.44 of the Listing Rules, the Disposal which constitutes a major transaction for the Company has been approved by way of written shareholders' approval in lieu of holding a general meeting of the Company seeking approval from the Shareholders.

A circular containing, amongst other things, further details of the Agreement and the Disposal will be dispatched to the Shareholders as soon as possible and in accordance with the requirements of the Listing Rules.

Trading in the Shares was suspended as from 9:30 a.m. on 29 August 2006 at the request of the Company pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange from 9:30 a.m. on 30 August 2006.

The Board announces that on 28 August 2006 the Company entered into the Agreement with the Purchaser.

THE AGREEMENT

Date : 28 August 2006

Parties : (a) Seller: the Company
(b) Purchaser: Shenzhen Energy (Hong Kong)
(c) Guarantor: Shenzhen Energy Group

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser, the Guarantor and their ultimate beneficial owners are third parties independent of the Company, independent of any connected persons of the Company and do not have any past relationship with the Group.

Asset to be disposed

Pursuant to the Agreement, subject to fulfillment of the Conditions, the Seller shall sell and the Purchaser shall purchase the Transferred Interests, which comprise 15 "A" shares of Newton Industrial, representing approximately 44.12% of its issued share capital. The balance of the issued share capital of Newton Industrial is owned by Shenzhen Investment Limited which is an independent third party not connected with the Company or any connected persons of the Company.

Newton Industrial is a company incorporated in the British Virgin Islands on 3 July 1998. Newton Industrial is an investment holding company which holds 34% equity interest in Mawan, a sino-foreign joint venture established in the PRC which currently operates two power plants in Shenzhen, the PRC.

The book value of the Transferred Interests in the Company's consolidated financial statements as at 31 December 2005 was approximately HK\$412,702,000. A valuation of Mawan was conducted by Beijing China Enterprise Appraisals Company Limited, a qualified independent asset valuer in the PRC, on 25 August 2006 which was prepared taking into account the future profits of Mawan. Based on the valuation the Transferred Interests was valued at RMB753,627,000 (equivalent to approximately HK\$728,607,000).

The audited net profits (before and after taxation and extraordinary items) attributable to the Transferred Interests prepared under Hong Kong GAAP for the two years ended 31 December 2005 were as follows:

	Before and after taxation and extraordinary items
Net profit for the year ended 31 December 2004	Approximately HK\$72,634,000
Net profit for the year ended 31 December 2005	Approximately HK\$68,033,000

Immediately upon completion of the Agreement, the Company will cease to have any shareholding in Newton Industrial.

Consideration

The consideration for the Transferred Interests is RMB663,626,955 (equivalent to approximately HK\$641,595,000) which shall be paid by cash and the Consideration shall be paid within 20 working days after the Conditions are satisfied.

Pursuant to the resolutions of the board of directors of Mawan dated 26 April 2006, a final dividend of RMB600,000,000 (equivalent to approximately HK\$580,080,000) was declared for the financial years up to 31 December 2005. Parties to the Agreement have agreed that such dividend to the extent applicable to the Company's 44.12% interest in Newton Industrial (namely approximately RMB90,000,000 (equivalent to approximately HK\$87,012,000)) shall vest with the Seller.

The Consideration was arrived at after arm's length negotiations between the Seller and the Purchaser and with reference to the book value of Mawan as at 31 December 2005, the dividend declared by Mawan for the financial years up to 31 December 2005 and the valuation of Mawan prepared by Beijing China Enterprise Appraisals Company Limited, a qualified independent asset valuer in the PRC, on 25 August 2006.

The Board (including the independent non-executive Directors) consider that the terms of the Agreement and the Disposal are normal commercial terms which are fair and reasonable and in the interests of the Shareholders as a whole.

Conditions and Completion

Completion is subject to fulfillment of the following conditions:

- (i) approval of the Agreement and the Disposal by the Board in accordance with the requirements of the Listing Rules;
- (ii) approval of the Agreement, the Disposal and Shenzhen Energy Group acting as the guarantor of Shenzhen Energy (Hong Kong) by the respective boards of directors and shareholders of Shenzhen Energy (Hong Kong) and Shenzhen Energy Group; and
- (iii) receipt of relevant approvals, information and/or confirmations from MOFCOM and SAFE in relation to foreign exchange needs, the Agreement, the Disposal and transactions contemplated under the Agreement.

Completion shall take place within 20 working days following the satisfaction or waiver by the Seller or the Purchaser of the Conditions to which their obligations are subject; provided, however, that if Completion has not occurred by 30 June 2007, then the Agreement shall be terminated automatically and cease to have any effect. Further no party shall have any liability thereunder (but without prejudice to the rights of any party against the others for antecedent breaches of the Agreement).

Guarantee

Shenzhen Energy Group, the shareholder of Shenzhen Energy (Hong Kong), is a party to the Agreement pursuant to which it acts as the guarantor of the Purchaser to guarantee the performance by the Purchaser of its obligations under the Agreement in favour of the Seller.

As part of the guarantee, Shenzhen Energy Group as guarantor shall pay to the Seller a bond in the sum of RMB40,000,000 within five (5) working days from the date of the Agreement.

Further, should the Purchaser fail to pay the Consideration (i) before 31 October 2006, the Guarantor shall pay to the Seller 30% of the Consideration as additional bond; and (ii) before 20 December 2006, the Guarantor shall pay to the Seller a further 20% of the Consideration as additional bond. Upon the Purchaser provides evidence to the Seller due payment of the Consideration, the Seller shall within seven (7) working days refund all bond money to the Guarantor.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Company acquired the Transferred Interests in October 1998. Since then, the Group has diversified into different businesses, including toll bridge operation and environmental protection investment and operation and property investment and management. In recent years, the Group has been focusing on the environmental protection business. By disposing its shareholdings in Newton Industrial, the Group can concentrate in development and growing its environmental protection business and municipal public works business which the Group believed to have great potential in the PRC in the coming years.

Upon Completion, the Group is expected to realize an estimated gain of approximately HK\$325,105,000 (before taxation and expenses) which is based on (i) the consideration of approximately HK\$641,595,000; (ii) the Group's share of net assets of Newton Industrial of approximately HK\$412,702,000 as at 31 December 2005 net of dividend receivable of HK\$87,012,000; and (iii) the exchange reserve of approximately HK\$9,200,000 realized on disposal of the investment in Newton Industrial. It is currently expected that the estimated gain will be accounted for in the financial statements of the Company for the year ending 31 December 2006.

The actual profit of the Disposal will be adjusted to reflect for the Group's share of results and reserves of Newton Industrial from 1 January 2006 up to the date of completion of the Disposal.

Having considered the terms of the Agreement and the above reasons and benefits, the Board (including the independent non-executive Directors) are of the view that the terms of the Agreement are normal commercial terms which are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

USE OF PROCEEDS

The Disposal is a cash transaction. The net proceeds of approximately HK\$441,000,000 generated from the Disposal will be used to reduce liabilities of the Group whereas the remaining HK\$200,000,000 will provide the Group with additional cash which could be used as working capital of the Group for its investment in the environmental protection business and municipal public works business.

The Group has been considering acquisition opportunities from time to time, but at present has not yet concluded any negotiations or made any commitment in respect of potential acquisitions.

GENERAL

The Group is principally engaged in toll bridge operation, environmental protection investment and operation, property investment and management, environmental protection project management and consultancy and investment holdings.

Major Transaction

As the applicable percentage ratio(s) as defined in the Listing Rules exceed(s) 25% but less than 75%, the Disposal constitutes a major transaction for the Company under the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

No Shareholders are required to abstain from voting at the EGM in respect of the resolution to approve the Disposal and the Company has obtained from Guildford, which currently holds 1,758,215,910 Shares, representing approximately 57.42% of the issued share capital of the Company, written approval for the Agreement, the Disposal and the transactions contemplated thereunder. Pursuant to Rule 14.44 of the Listing Rules, the Disposal which constitutes a major transaction for the Company has been approved by way of written shareholders' approval in lieu of holding a general meeting of the Company seeking approval from the Shareholders.

A circular containing, amongst other things, further details of the Agreement and the Disposal will be dispatched to the Shareholders as soon as possible and in accordance with the requirements of the Listing Rules.

Trading in the Shares was suspended as from 9:30 a.m. on 29 August 2006 at the request of the Company pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange from 9:30 a.m. on 30 August 2006.

DEFINITIONS

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

“Agreement”	the agreement dated 28 August 2006 entered into between the Company, the Purchaser and the Guarantor in relation to the Disposal
“Board”	the board of Directors
“Company”	China Everbright International Limited, a company incorporated in Hong Kong with limited liabilities whose shares are listed on the main board of the Stock Exchange
“Completion”	completion of the Disposal pursuant to the Agreement
“Conditions”	the conditions to which Completion is subject to
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Disposal”	the disposal of the Transferred Interests by the Seller to the Purchaser pursuant to the Agreement
“EGM”	an extraordinary general meeting of the Company to consider the ordinary resolution to approve the Disposal
“Group”	the Company and its subsidiaries
“Guarantor”	Shenzhen Energy Group
“Guildford”	Guildford Limited, a company incorporated in the British Virgin Islands and the controlling shareholder of the Company

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Mawan”	Shenzhen Mawan Power Company Limited, a sino-foreign joint venture established in the PRC which currently operates two power plants in Shenzhen, the PRC
“MOFCOM”	the Ministry of Commerce of the PRC
“Newton Industrial”	Newton Industrial Limited, a company incorporated in the British Virgin Islands and is owned as to (a) approximately 55.88% by Shenzhen Investment Limited and (b) approximately 44.12% by the Company
“percentage ratio(s)”	the percentage ratio(s) under Rule 14.07 of the Listing Rules
“PRC”	The People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Purchaser”	Shenzhen Energy (Hong Kong)
“SAFE”	the State Administration of Foreign Exchange of the PRC, the PRC governmental agency responsible for matters relating to foreign exchange administration
“Seller”	the Company
“Shares”	ordinary shares of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Shenzhen Energy Group”	Shenzhen Energy Group Co., Ltd., a limited liability company established in the PRC and the controlling shareholder of the Purchaser
“Shenzhen Energy (Hong Kong)”	Shenzhen Energy (H.K.) International Limited, a company incorporated in Hong Kong
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the Listing Rules
“Transferred Interests”	the 15 “A” shares of Newton Industrial, representing approximately 44.12% of the issued share capital of Newton Industrial, to be bought and sold pursuant to the terms and conditions of the Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

In this announcement, the exchange rate of RMB1.00 to HK\$0.9668 was adopted. 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.

By Order of the Board of
CHINA EVERBRIGHT INTERNATIONAL LIMITED
CHEN Xiaoping
Chief Executive Officer

Hong Kong, 29 August 2006

As at the date of this announcement, the Board comprises the following members:

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

Independent non-executive Directors

Sir David AKERS-JONES

Mr. LI Kwok Sing, Aubrey

Mr. MAR Selwyn

“Please also refer to the published version of this announcement in The Standard.”