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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)

CONTINUING CONNECTED TRANSACTIONS

Reference is made to the Continuing Connected Transactions disclosed by the Company in June 2004 and the Previous Caps related to the Continuing Connected Transactions which were approved by Guildford Limited, the intermediate controlling Shareholder.

The Lease Agreement, the Technical Assistance Agreement, the Operation and Maintenance Agreement and the Waste Water Treatment Agreement were entered into between the Project Company and connected persons of the Company. Accordingly, the transactions contemplated by the Lease Agreement, the Technical Assistance Agreement, the Operation and Maintenance Agreement and the Waste Water Treatment Agreement are continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the Previous Caps related to the Operation and Maintenance Agreement and the Waste Water Treatment Agreement were approved for the three years ended 31 December 2006 and were expired on 31 December 2006, the Company is, once again, required to comply with the reporting, announcement and shareholders' approval requirement (if applicable) under the Listing Rules for the Continuing Connected Transactions starting from 1 January 2007.

Pursuant to the Listing Rules, the continuing connected transaction contemplated by the Lease Agreement is a de minimis transaction and is exempted from the reporting, announcement and independent shareholders' approval requirements. The continuing connected transactions contemplated by the Technical Assistance Agreement are subject to the reporting and announcement requirements and the continuing connected transactions contemplated by the Operation and Maintenance Agreement and the Waste Water Treatment Agreement are subject to the reporting, announcement and independent shareholders' approval requirements. The Company hereby confirms that there is no other transaction with the counterparties to the Lease Agreement, the Technical Assistance Agreement, the Operation and Maintenance Agreement and the Waste Water Treatment Agreement in the past twelve months which requires aggregation pursuant to Rule 14A.25 of the Listing Rules.

As no Shareholders have any interest in each of the Operation and Maintenance Agreement and the Waste Water Treatment Agreement, no Shareholders are required to abstain from voting for the continuing connected transactions contemplated by the Operation and Maintenance Agreement and the Waste Water Treatment Agreement, respectively, if a Shareholders' meeting is to be convened by the Company to approve such transactions. Guildford Limited, the intermediate controlling Shareholder which holds approximately 57.16% of the issued share capital of the Company, has approved in writing the Operation and Maintenance Agreement and the Waste Water Treatment Agreement and the continuing connected transactions contemplated thereby. Accordingly, there is no further need to convene a Shareholders' meeting to approve the Operation and Maintenance Agreement and the Waste Water Treatment Agreement and the continuing connected transactions contemplated thereby. Based on the above grounds, the Company will apply for a waiver under Rule 14A.43 of the Listing Rules from convening a Shareholders' meeting to approve the Operation and Maintenance Agreement and the Waste Water Treatment Agreement and the continuing connected transactions contemplated thereby.

A circular containing, among other things, further information on the Operation and Maintenance Agreement and the Waste Water Treatment Agreement and the letter of advice from First Shanghai, the independent financial adviser to the Shareholders, will be dispatched to the Shareholders for information as soon as practicable after the publication of this announcement.

BACKGROUND

Reference is made to the Continuing Connected Transactions disclosed by the Company in June 2004 and the Previous Caps related to the Continuing Connected Transactions which were approved by Guildford Limited, the intermediate controlling Shareholder.

As disclosed in the announcement of the Company dated 16 June 2004, Qingdao Drainage and EB-VW, a non wholly-owned subsidiary of the Company, formed the Project Company for the purpose of operating and maintaining the Facilities as well as treating and processing waste water in Qingdao Municipality, Shandong Province, the PRC. The Project Company is responsible for the construction of the Extended Facilities and leasing the Leased Facilities from Qingdao Drainage for the purpose of operating and maintaining the whole of the Facilities.

In addition, CE Water Investments, a wholly-owned subsidiary of the Company, Qingdao Drainage and Veolia Water formed the Operation Company to act as the contractor of the Project Company for (i) the operation and maintenance of the Facilities; (ii) treating and processing waste water in Qingdao Municipality, Shandong Province, the PRC; and (iii) other services as provided in the Operation and Maintenance Agreement.

CONTINUING CONNECTED TRANSACTION SUBJECT TO THE REPORTING AND ANNOUNCEMENT REQUIREMENTS

The Technical Assistance Agreement

Dated as of: 1 June 2004

Parties: (i) the Project Company; and
(ii) Veolia Asia (a member of the Veolia Group).

Veolia Water is interested in 40% of EB-VW, a non wholly-owned subsidiary of the Company. Accordingly, Veolia Water and its fellow subsidiaries, including Veolia Asia, are connected persons of the Company and the services provided by Veolia Asia to the Project Company under the Technical Assistance Agreement constitute continuing connected transactions for the Company for the purposes of the Listing Rules.

Subject matter:

Veolia Asia, which is principally engaged in the provision of water and waste water management services, shall provide the Project Company (or for the use by the Operation Company) with technical assistance in order to assist the Project Company in establishing high-quality waste water treatment management procedures and standards, bringing advanced waste water treatment management techniques adapted to the PRC and the needs of the Project.

Scope of technical assistance:

Veolia Asia shall provide to the Project Company for use by the Project Company or the Operation Company, on a continuing basis, advice, information, in relation to production operating services, organization and human resource management services, administrative services and financial services.

Duration and termination:

Unless otherwise terminated, the Technical Assistance Agreement will remain in full force and effect until the expiry of the Project Company JV Contract (which, according to the terms of the Project Company JV Contract, shall be for a term of 26 years unless otherwise extended or terminated).

In the circular of the Company dated 8 July 2004 relating to certain continuing connected transactions of the Company, the independent financial adviser appointed by the Company had opined that it is a normal business practice for the Technical Assistance Agreement to be of such duration, which is a period longer than three years.

The Technical Assistance Agreement may be terminated (without payment of any penalty) by Veolia Asia upon 30 days prior written notice if any of the following occurs:

- (a) the Project Company JV Contract is terminated for any reason whatsoever;
- (b) EB-VW (or its transferee which is an associated company of EB-VW) ceases to be a party to the Project Company JV Contract or Veolia Water (or its transferee which is an associated company of Veolia Water) ceases to be a shareholder of the Operation Company;
- (c) the equity interest of EB-VW (or its transferee which is an associated company of EB-VW) in the registered capital of the Project Company falls below 50% or the equity interest of Veolia Water (or its transferee which is an associated company of Veolia Water) in the registered capital of the Operation Company falls below 50%; or
- (d) the Project Company has failed to pay the services fees described below.

Service fee and terms of payment:

For the provision of the services under the Technical Assistance Agreement, Veolia Asia shall be paid a fixed annual services assistance fee, calculated as follows:

- (a) for the first five financial years of the Project Company – the sum of US\$285,000 (equivalent to approximately HK\$2,223,000) per year;
- (b) from the sixth to the fifteenth financial year of the Project Company – the sum of US\$171,000 (equivalent to approximately HK\$1,333,800) per year; and
- (c) from the sixteenth financial year until the expiry of the Technical Assistance Agreement – the sum of US\$142,500 (equivalent to approximately HK\$1,111,500) per year.

Such service assistance fees shall be paid in cash by the Project Company on a quarterly basis.

Previous Caps and Revised Caps:

The table below sets out the historical amounts and the Technical Assistance Annual Caps relating to the Technical Assistance Agreement for the three years ended 31 December 2006:

Year ended 31 December 2004 (US\$'000)		Year ended 31 December 2005 (US\$'000)		Year ended 31 December 2006 (US\$'000)	
Annual cap	Actual amount	Annual cap	Actual amount	Annual cap	Actual amount
290,000	0	290,000	285,000	290,000	285,000

As stated in the table above, none of the Technical Assistance Annual Caps for the three years ended 31 December 2006 has been exceeded.

On the basis of the service assistance fees set out in the Technical Assistance Agreement and the possible adjustment resulting from the possible inflation in the PRC in the coming three years, it is currently expected that the Technical Assistance Annual Caps for the three years ending 31 December 2009 will be US\$290,000 (equivalent to approximately HK\$2,262,000), US\$290,000 (equivalent to approximately HK\$2,262,000) and US\$180,000 (equivalent to approximately HK\$1,404,000), respectively.

As the Technical Assistance Annual Caps are determined in accordance with the fixed annual service assistance fee payable by the Project Company under the Technical Assistance Agreement (which fee is arrived at between the parties on an arm's length basis), the Directors are of the view that the terms of the Technical Assistance Agreement and the Technical Assistance Annual Caps are fair and reasonable and that the entering into of the Technical Assistance Agreement is in the interests of the Company and the Shareholders as a whole. Pursuant to Rule 14A.34 of the Listing Rules, the continuing connected transactions contemplated by the Technical Assistance Agreement is subject to the reporting and announcement requirements and is also subject to the requirements of annual review by the independent non-executive Directors and the auditors of the Company in accordance with Rules 14A.37 to 14A.39 of the Listing Rules.

The Directors have confirmed that the terms of the Technical Assistance Agreement were negotiated on an arm's length basis and the transactions contemplated under the Technical Assistance Agreement will be carried out in the ordinary and usual course of business of the Group and on normal commercial terms, which in the context of the Project are in the interest of the Group.

CONTINUING CONNECTED TRANSACTION SUBJECT TO THE REPORTING, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

The Operation and Maintenance Agreement

Dated as of: 1 June 2004

Parties: (i) the Project Company; and
(ii) the Operation Company.

The Operation Company is a subsidiary of Veolia Water. As Veolia Water is a substantial shareholder of EB-VW, a non wholly-owned subsidiary of the Company, the Operation Company is a connected person of the Company and the transactions contemplated by the Operation and Maintenance Agreement constitute continuing connected transactions for the Company for the purposes of the Listing Rules.

Subject matter:

The Project Company and the Operation Company entered into the Operation and Maintenance Agreement to set out the terms and conditions under which the Operation Company will provide to the Project Company operation and maintenance services in respect of the Project.

Duration and termination:

Unless otherwise terminated, the Operation and Maintenance Agreement will remain in full force and effect until the expiry of the Waste Water Treatment Agreement (which, according to the terms of such agreement, shall be for a term of 25 years, unless otherwise extended by mutual agreement between the parties or terminated in accordance with the terms of the Waste Water Treatment Agreement).

In the circular of the Company dated 8 July 2004 relating to certain continuing connected transactions of the Company, the independent financial adviser appointed by the Company had opined that it is a normal business practice for the Operation and Maintenance Agreement to be of such duration, which is a period longer than three years.

The Operation and Maintenance Agreement may be terminated (without payment of any penalty) by the Project Company or the Operation Company by serving a notice of termination pursuant to the terms thereof.

Service fee and terms of payment:

For the provision of the services under the Operation and Maintenance Agreement, the Project Company shall be required to pay to the Operation Company an operation and maintenance fee which would consist of a basic fee minus any adjustments (in accordance with the terms of the Operation and Maintenance Agreement). The basic fee is to be calculated on the projected volume of waste water to be treated and to be paid in cash on a monthly basis.

Previous Caps and Revised Caps:

The table below sets out the historical amounts and the Operation and Maintenance Annual Caps relating to the Operation and Maintenance Agreement for the three years ended 31 December 2006:

Year ended 31 December 2004		Year ended 31 December 2005		Year ended 31 December 2006	
<i>(RMB'000)</i>		<i>(RMB'000)</i>		<i>(RMB'000)</i>	
Annual cap	Actual amount	Annual cap	Actual amount	Annual cap	Actual amount
12,400	0	20,700	19,601	20,700	18,673

As stated in the table above, none of the Operation and Maintenance Annual Caps for the three years ended 31 December 2006 has been exceeded.

On the basis of the service assistance fees set out in the Operation and Maintenance Agreement and the projected volume of waste water for 2007 to 2009 set out in the Waste Water Treatment Agreement, it is currently expected that the Operation and Maintenance Annual Caps for the three years ending 31 December 2009 will be RMB38 million (equivalent to approximately HK\$38 million), RMB36 million (equivalent to approximately HK\$36 million) and RMB33 million (equivalent to approximately HK\$33 million), respectively.

As the Operation and Maintenance Annual Caps are determined by reference to the daily maximum amount of the waste water to be treated by the Facilities and the daily maximum charge rate payable by the Project Company for the waste water treatment, the Directors are of the view that the terms of the Operation and Maintenance Agreement and the Operation and Maintenance Annual Caps are fair and reasonable and that the entering into of the Operation and Maintenance Agreement is in the interests of the Company and the Shareholders as a whole. Pursuant to Rule 14A.35 of the Listing Rules, the continuing connected transactions contemplated by the Operation and Maintenance Agreement is subject to the reporting, announcement and independent shareholders' approval requirements and is also subject to the requirements of annual review by the independent non-executive Directors and the auditors of the Company in accordance with Rules 14A.37 to 14A.39 of the Listing Rules.

The Directors have confirmed that the terms of the Operation and Maintenance Agreement were negotiated on an arm's length basis and the transactions contemplated under the Operation and Maintenance Agreement will be carried out in the ordinary and usual course of business of the Group and on normal commercial terms, which in the context of the Project are in the interest of the Group.

The Waste Water Treatment Agreement

Dated as of: 1 June 2004

Parties: (i) the Project Company; and
(ii) Qingdao Drainage.

Qingdao Drainage is a substantial shareholder of the Project Company, a non wholly-owned subsidiary of the Company. As a result, Qingdao Drainage is a connected person of the Company and the transactions contemplated by the Waste Water Treatment Agreement constitute continuing connected transactions for the Company for the purposes of the Listing Rules.

Subject matter:

The Project Company will provide Qingdao Drainage with design, construction, maintenance and operation services for waste water treatment facilities and the provision of waste water treatment services in Qingdao, the PRC.

Duration and termination:

The Waste Water Treatment Agreement will remain in full force and effect for the term of 25 years, unless extended by mutual agreement between the parties or terminated in accordance with the terms of the Waste Water Treatment Agreement.

In the circular of the Company dated 8 July 2004 relating to certain continuing connected transactions of the Company, the independent financial adviser appointed by the Company had opined that it is a normal business practice for the Waste Water Treatment Agreement to be of such duration, which is a period longer than three years.

Service fee and terms of payment:

For the provision of the services under the Waste Water Treatment Agreement, Qingdao Drainage shall be required to pay to the Project Company a service charge which would consist of a base service charge minus any adjustments (in accordance with the terms of the Waste Water Treatment Agreement). The base service charge is to be calculated on the projected volume of waste water to be treated and to be paid in cash on a monthly basis.

Previous Caps and Revised Caps:

The table below sets out the historical amounts and the Waste Water Treatment Annual Caps relating to the Waste Water Treatment Agreement for the three years ended 31 December 2006:

Year ended 31 December 2004 <i>(RMB'000)</i>		Year ended 31 December 2005 <i>(RMB'000)</i>		Year ended 31 December 2006 <i>(RMB'000)</i>	
Annual cap	Actual amount	Annual cap	Actual amount	Annual cap	Actual amount
33,500	0	57,400	54,658	57,400	53,962

As stated in the table above, none of the Waste Water Treatment Annual Caps for the three years ended 31 December 2006 has been exceeded.

On the basis of the charges and the projected volume of waste water for 2007 to 2009 set out in the Waste Water Treatment Agreement, it is currently expected that the Waste Water Treatment Annual Caps for the three years ending 31 December 2009 will be RMB71 million (equivalent to approximately HK\$71 million), RMB71 million (equivalent to approximately HK\$71 million) and RMB71 million (equivalent to approximately HK\$71 million), respectively.

As the Waste Water Treatment Annual Caps are determined by reference to the daily maximum amount of the waste water to be treated by the Facilities and the daily maximum charge rate payable by Qingdao Drainage for the waste water treatment, the Directors are of the view that the terms of the Waste Water Treatment Agreement and the Waste Water Treatment Annual Caps are fair and reasonable and that the entering into of the Waste Water Treatment Agreement is in the interests of the Company and the Shareholders as a whole. Pursuant to Rule 14A.35 of the Listing Rules, the continuing connected transactions contemplated by the Waste Water Treatment Agreement is subject to the reporting, announcement and independent shareholders' approval requirements and is also subject to the requirements of annual review by the independent non-executive Directors and the auditors of the Company in accordance with Rules 14A.37 to 14A.39 of the Listing Rules.

The Directors have confirmed that the terms of the Waste Water Treatment Agreement were negotiated on an arm's length basis and the transactions contemplated under the Waste Water Treatment Agreement will be carried out in the ordinary and usual course of business of the Group and on normal commercial terms, which in the context of the Project are in the interest of the Group.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

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, information and belief and having made all reasonable enquiries, Qingdao Drainage is a State-owned company duly organized and existing under the laws of the PRC and registered with Qingdao Municipal Administration Bureau of Industry and Commerce, Shandong Province, the PRC. It is principally engaged in the investment in, construction of, and management of, waste water treatment facilities in Qingdao Municipality, Shandong Province, the PRC.

The Veolia Group is one of the world leaders in water services and one of the leading designers and suppliers of water treatment facilities, equipment and systems for the industrial and commercial sectors. With headquarters in Paris, France, the Veolia Group operates worldwide and offers the most comprehensive range of water and waste water management services, including turnkey plants and systems, refurbishment, equipment, operations and maintenance and outsourcing. The co-operation with the Veolia Group aligns with the Group's strategy of entering into the environmental protection industry with strong business partners.

The Group has been focusing on environmental protection businesses since 2002. The transactions contemplated by each of the Lease Agreement, the Technical Assistance Agreement, the Operation and Maintenance Agreement and the Waste Water Treatment Agreement were all contemplated by the Project Company JV Contract and the Operation Company JV Contract and are for effecting the purposes of the Project.

The Directors are of the view that the terms of the Technical Assistance Agreement, the Technical Assistance Annual Caps, the Operation and Maintenance Agreement, the Operation and Maintenance Annual Caps, the Waste Water Treatment Agreement and the Waste Water Treatment Annual Caps are fair and reasonable and that the entering into of the Technical Assistance Agreement, the Operation and Maintenance Agreement and the Waste Water Treatment Agreement is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

The Lease Agreement, the Technical Assistance Agreement, the Operation and Maintenance Agreement and the Waste Water Treatment Agreement were entered into between the Project Company and connected persons of the Company. Accordingly, the transactions contemplated by the Lease Agreement, the Technical Assistance Agreement, the Operation and Maintenance Agreement and the Waste Water Treatment Agreement are continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the Previous Caps related to the Operation and Maintenance Agreement and the Waste Water Treatment Agreement were approved for the three years ended 31 December 2006 and were expired on 31 December 2006, the Company is, once again, required to comply with the reporting, announcement and Shareholders' approval requirement (if applicable) under the Listing Rules for the Continuing Connected Transactions starting from 1 January 2007.

Pursuant to the Listing Rules, the continuing connected transaction contemplated by the Lease Agreement is a *de minimis* transaction and is exempted from the reporting, announcement and independent shareholders' approval requirements. The continuing connected transactions contemplated by the Technical Assistance Agreement are subject to the reporting and announcement requirements and the continuing connected transactions contemplated by the Operation and Maintenance Agreement and the Waste Water Treatment Agreement are subject to the reporting, announcement and independent shareholders' approval requirements. The Company hereby confirms that there is no other transaction with the counterparties to the Lease Agreement, the Technical Assistance Agreement, the Operation and Maintenance Agreement and the Waste Water Treatment Agreement in the past twelve months which requires aggregation pursuant to Rule 14A.25 of the Listing Rules.

As no Shareholders have any interest in each of the Operation and Maintenance Agreement and the Waste Water Treatment Agreement, no Shareholders are required to abstain from voting for the continuing connected transactions contemplated by the Operation and Maintenance Agreement and the Waste Water Treatment Agreement, respectively, if a Shareholders' meeting is to be convened by the Company to approve such transactions. Guildford Limited, the intermediate controlling Shareholder which holds approximately 57.16% of the issued share capital of the Company, has approved in writing the Operation and Maintenance Agreement and the Waste Water Treatment Agreement and the continuing connected transactions contemplated thereby. Accordingly, there is no further need to convene a Shareholders' meeting to approve the Operation and Maintenance Agreement and the Waste Water Treatment Agreement and the continuing connected transactions contemplated thereby. Based on the above grounds, the Company will apply for a waiver under Rule 14A.43 of the Listing Rules from convening a Shareholders' meeting to approve the Operation and Maintenance Agreement and the Waste Water Treatment Agreement and the continuing connected transactions contemplated thereby.

As the Directors expect the relevant percentage ratios in relation to the transactions contemplated by each of the Operation and Maintenance Agreement and the Waste Water Treatment Agreement will exceed 2.5% of the percentage ratios or the relevant considerations will be more than HK\$10,000,000 as set out in Chapter 14A of the Listing Rules, the transactions constitute non-exempt continuing connected transactions under Rule 14A.35 of the Listing Rules.

First Shanghai, the independent financial adviser to the Independent Board Committee and the Shareholders, has been appointed by the Company to advise the Independent Board Committee and the Shareholders in relation to the continuing connected transactions and the revised caps contemplated by the Operation and Maintenance Agreement and the Waste Water Treatment Agreement.

A circular containing, among other things, further information on the Operation and Maintenance Agreement and the Waste Water Treatment Agreement and the letter of advice from First Shanghai, the independent financial adviser to the Independent Board Committee and the Shareholders, will be dispatched to the Shareholders for information as soon as practicable after the publication of this announcement.

DEFINITIONS

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

“Board”	board of Directors
“CE Water Investments”	China Everbright Water Investments Limited (formerly known as China Everbright Environmental Protection Investment Limited), a limited liability company incorporated in the British Virgin Islands, a wholly-owned subsidiary of the Company
“Company”	China Everbright International Limited (中國光大國際有限公司), a company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange
“Continuing Connected Transactions”	continuing connected transactions between the Project Company and connected persons of the Company contemplated by the Operation and Maintenance Agreement and the Waste Water Treatment Agreement
“Directors”	directors of the Company
“EB-VW”	EB-VW HK Holding Company Limited (formerly known as Eagle Choice Investment Limited), a limited liability company incorporated in Hong Kong on 15 October 2003, wholly-owned by CE Water Investments
“Facilities”	existing waste water treatment plants known as “Qingdao Haibohe” and “Qingdao Maidao” and the extension thereto (the “Extended Facilities”) upon the completion of the relevant construction works and the Leased Facilities, together with all fixed and moveable assets necessary or incidental to the construction, operation and maintenance of the Facilities and the Extended Facilities, all being located in the municipality of Qingdao, Shandong Province, the PRC
“First Shanghai”	First Shanghai Capital Limited, the independent financial adviser to the Independent Board Committee and the Shareholders
“Independent Board Committee”	independent committee of the Board comprises Sir David Akers-Jones, Mr. Li Kwok Sing, Aubrey and Mr. Mar Selwyn, all of whom are independent non-executive Directors, formed to advise the Shareholders as to the Continuing Connected Transactions and the Revised Caps
“Lease Agreement”	lease agreement dated as of 1 November 2003 and entered into between the Project Company and Qingdao Drainage pursuant to which Qingdao Drainage leases the Leased Facilities to the Project Company for the purpose of operating and maintaining the whole of the Facilities
“Leased Facilities”	facilities related to the two waste water treatment plants known as “Qingdao Haibohe” and “Qingdao Maidao”
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Operation Company”	Qingdao Veolia Water Operating Company Limited, a Sino-foreign co-operative joint venture company established under the laws of the PRC, which is 21% owned by CE Water Investments, 78% owned by Veolia Water and 1% owned by Qingdao Drainage

“Operation Company JV Contract”	joint venture contract dated 1 November 2003 entered into between CE Water Investments, Veolia Water and Qingdao Drainage for the purpose of forming the Operation Company
“Operation and Maintenance Agreement”	operation and maintenance agreement dated as of 1 June 2004 and entered into between the Project Company and the Operation Company pursuant to which the Project Company subcontracts the provision of operation and maintenance services in respect of the Facilities to the Operation Company
“Operation and Maintenance Annual Cap”	annual maximum total amount of the transactions contemplated by the Operation and Maintenance Agreement
“PRC”	The People’s Republic of China
“Previous Caps”	maximum annual values of each of the continuing connected transactions for the three years ended 31 December 2006 previously approved by Guildford Limited
“Project”	the Project Company JV Contract and the Operation Company JV Contract as well as all the works and services in respect of the Facilities mentioned in the aforesaid two joint venture contracts
“Project Company”	Qingdao EB-VW Waste Water Treatment Co., Ltd., a Sino-foreign co-operative joint venture with registered capital of US\$15,257,380 (equivalent to approximately HK\$118,244,695) established in the PRC and owned as to 60% by EB-VW and the remaining 40% by Qingdao Drainage which shall operate as a project company to carry out the Project
“Project Company JV Contract”	joint venture contract dated 1 November 2003 entered into between Qingdao Drainage and EB-VW for the purpose of forming the Project Company
“Qingdao Drainage”	Qingdao Municipal Drainage Company, a State-owned company in the PRC
“Revised Caps”	maximum annual values of each of the Continuing Connected Transactions for the three years ending 31 December 2009 approved by Guildford Limited
“Shareholder(s)”	registered holder(s) of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has meaning ascribed to it under the Listing Rules
“Technical Assistance Agreement”	technical assistance agreement dated as of 1 June 2004 and entered into between the Project Company and Veolia Asia pursuant to which Veolia Asia provides technical assistance to the Project Company in respect of the operation and maintenance of the Facilities
“Technical Assistance Annual Cap”	annual maximum total amount of the transactions contemplated by the Technical Assistance Agreement
“Veolia Asia”	Veolia Water Asia Limited, a limited liability company incorporated in Hong Kong, which is a member of the Veolia Group
“Veolia Group”	Veolia Environnement (a French company, the shares of which are listed on the Paris Stock Exchange) and its subsidiaries, with headquarters in Paris, France
“Veolia Water”	Veolia Water, a French company, which is a member of the Veolia Group

“Waste Water Treatment Agreement”	waste water treatment agreement dated as of 1 June 2004 and entered into between the Project Company and Qingdao Drainage pursuant to which the Project Company provides waste water treatment services and other related services to Qingdao Drainage
“Waste Water Treatment Annual Cap”	annual maximum total amount of the transactions contemplated by the Waste Water Treatment Agreement
“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.

For the purposes of illustration only and unless otherwise stated, the conversion of RMB into HK\$ is based on the exchange rate of RMB1.00 = HK\$0.9962 and the conversion of US\$ into HK\$ is based on the exchange rate of US\$1.00 = HK\$7.8. Such conversions should not be construed as a representation that the amounts in question have been, could have been or could be converted at any particular rate or at all.

By order of the Board
China Everbright International Limited
CHEN Xiaoping
Chief Executive Officer

Hong Kong, 19 January 2007

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.