

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CHINA EVERBRIGHT INTERNATIONAL LIMITED

中國光大國際有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code : 257)

**CONTINUING CONNECTED TRANSACTIONS
RENEWAL OF ANNUAL CAPS**

Reference is made to the announcement of the Company dated 9 November 2009 in respect of, among other things, the continuing connected transactions contemplated under the Waste Water Treatment Agreement and the Operation and Maintenance Agreement and their respective annual caps for the three years ending 31 December 2012.

As the previous annual caps related to the Waste Water Treatment Agreement and the Operation and Maintenance Agreement were approved for the three years ending 31 December 2012 and will be expired on 31 December 2012, the Company is required to comply with the reporting, announcement, annual review and independent shareholders' approval requirements (if applicable) under the Listing Rules for the Non-exempt Continuing Connected Transactions starting from 1 January 2013.

As one or more of the relevant percentage ratios in relation to each of the proposed annual caps in respect of the transactions contemplated under each of the Waste Water Treatment Agreement and the Operation and Maintenance Agreement for the three years ending 31 December 2015 exceed 0.1% but are below 5%, such transactions are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

BACKGROUND

As disclosed in the announcements of the Company dated 16 June 2004 and 19 January 2007, 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.

Reference is made to the announcement of the Company dated 9 November 2009 in respect of, among other things, the continuing connected transactions contemplated under the Waste Water Treatment Agreement and the Operation and Maintenance Agreement and their respective annual caps for the three years ending 31 December 2012.

As the previous annual caps related to the Waste Water Treatment Agreement and the Operation and Maintenance Agreement were approved for the three years ending 31 December 2012 and will be expired on 31 December 2012, the Company is required to comply with the reporting, announcement, annual review and independent shareholders' approval requirements (if applicable) under the Listing Rules for the Non-exempt Continuing Connected Transactions starting from 1 January 2013.

THE WASTE WATER TREATMENT AGREEMENT AND THE OPERATION AND MAINTENANCE AGREEMENT – RENEWAL OF ANNUAL CAPS FOR THE THREE YEARS ENDING 31 DECEMBER 2015

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 under the Waste Water Treatment Agreement constitute continuing connected transactions of the Company under the Listing Rules.

Subject matter:

The Project Company agreed to provide Qingdao Drainage with design, construction, maintenance and operation services for waste water treatment facilities and waste water treatment services in Qingdao Municipality, Shandong Province, 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 or plus 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.

Historical transaction amounts:

The table below sets out the historical transaction amounts of the transactions under the Waste Water Treatment Agreement for the two years ended 31 December 2011 and the nine months ended 30 September 2012 and the annual cap for the year ending 31 December 2012:

For the year ended 31 December 2010	For the year ended 31 December 2011	For the nine months ended 30 September 2012	Annual cap for the year ending 31 December 2012
<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
79,727	91,267	68,453	108,000

As far as the Directors are aware, the annual cap for the year ending 31 December 2012 has not been exceeded as at the date of this announcement.

Proposed annual caps and basis of determination:

The proposed annual caps for the on-going transactions contemplated by the Waste Water Treatment Agreement for the three years ending 31 December 2015 and the basis of determination for such annual caps are set out as follows:

For the year ending 31 December 2013	For the year ending 31 December 2014	For the year ending 31 December 2015
<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
110,000	121,000	133,000

The Company expects that there will be a significant increase in the annual transaction values of the transactions contemplated under the Waste Water Treatment Agreement for the three years ending 31 December 2015. Accordingly, the proposed annual caps for the transactions contemplated under the Waste Water Treatment Agreement for three years ending 31 December 2015 will be significantly higher than those for the preceding three years ending 31 December 2012. Such increase in transaction values is mainly caused by the expected increase in the consumer price index under an adjustment mechanism mutually agreed by the relevant

parties, which would allow the Project Company to charge at a higher price, and the expected increase in the projected volume of waste water to be treated for the three years ending 31 December 2015.

The proposed annual caps are determined by reference to the daily maximum volume of waste water to be treated by the Facilities, the daily maximum charge rate payable by Qingdao Drainage for the waste water treatment and the expected adjustment according to an adjustment mechanism mutually agreed by the parties after an arm's length negotiation prior to the entering into of the Waste Water Treatment Agreement.

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 under the Operation and Maintenance Agreement constitute continuing connected transactions of the Company under 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 or plus 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.

Historical transaction amounts:

The table below sets out the historical transaction amounts of the transactions the Operation and Maintenance Agreement for the two years ended 31 December 2011 and the nine months ended 30 September 2012 and the annual cap for the year ending 31 December 2012:

For the year ended 31 December 2010	For the year ended 31 December 2011	For the nine months ended 30 September 2012	Annual cap for the year ending 31 December 2012
<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
35,175	37,174	32,285	54,000

As far as the Directors are aware, the annual cap for the year ending 31 December 2012 has not been exceeded as at the date of this announcement.

Proposed annual caps and basis of determination:

The proposed annual caps for the on-going transactions contemplated by the Operation and Maintenance Agreement for the three years ending 31 December 2015 and the basis of determination for such annual caps are set out as follows:

For the year ending 31 December 2013	For the year ending 31 December 2014	For the year ending 31 December 2015
<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
55,000	60,000	72,000

The Company expects that there will be a significant increase in the annual transaction values of the transactions contemplated under the Operation and Maintenance Agreement for the three years ending 31 December 2015. Accordingly, the proposed annual caps for the transactions contemplated under the Operation and Maintenance Agreement for three years ending 31 December 2015 will be significantly higher than those for the preceding three years ending 31 December 2012. Such increase in transaction value is mainly caused by the expected increase of the consumer price index under an adjustment mechanism mutually agreed by the relevant parties, which would allow the Operation Company to charge at a higher price, and the expected increase in the projected volume of waste water to be treated for the three years ending 31 December 2015.

The proposed annual caps are determined by reference to the daily maximum volume of the waste water to be treated by the Facilities, the daily maximum charge rate payable by the Project Company for the waste water treatment and the expected adjustment according to an adjustment mechanism mutually agreed by the parties after an arm's length negotiation prior to the entering into of the Waste Water Treatment Agreement and the Operation and Maintenance Agreement.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Group has been focusing on environmental protection business since 2002. The transactions contemplated by each of the Waste Water Treatment Agreement and the Operation and Maintenance 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 have confirmed that the terms of the Waste Water Treatment Agreement and the Operation and Maintenance Agreement were negotiated on an arm's length basis and the transactions contemplated under the Waste Water Treatment Agreement and 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 Directors (including the independent non-executive Directors) are of the view that the terms of the Waste Water Treatment Agreement and the Operation and Maintenance Agreement and the relevant proposed annual caps for the three years ending 31 December 2015 are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

None of the Directors have a material interest in the transactions contemplated under the Waste Water Treatment Agreement and the Operation and Maintenance Agreement nor are they required to abstain from voting in the relevant board resolutions.

LISTING RULES IMPLICATIONS

As disclosed above, the Waste Water Treatment Agreement and the Operation and Maintenance Agreement were entered into between the Project Company and the connected persons of the Company. Accordingly, the transactions contemplated under each of the Waste Water Treatment Agreement and the Operation and Maintenance Agreement are continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the relevant percentage ratios in relation to each of the proposed annual caps in respect of the transactions contemplated under each of the Waste Water Treatment Agreement and the Operation and Maintenance Agreement for the three years ending 31 December 2015 exceed 0.1% but are below 5%, such transactions are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

GENERAL INFORMATION

The Group is principally engaged in the business of environmental protection investment, infrastructure operation and project management in the PRC.

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 is 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 a comprehensive range of water and waste water management services, including turnkey plants and systems, refurbishment, equipment, operations and maintenance and outsourcing.

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 under the laws of 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 under the laws of Hong Kong, the shares of which are listed on the Stock Exchange
“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 under the laws of Hong Kong on 15 October 2003, the equity interest of which is held as to 40% by Veolia Water and as to 60% by CE Water Investments

“Facilities”	existing waste water treatment plants known as “Qingdao Haibohe” and “Qingdao Maidaο” 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 Qingdao Municipality, Shandong Province, the PRC
“Group”	the Company and its subsidiaries
“Leased Facilities”	facilities related to the two waste water treatment plants known as “Qingdao Haibohe” and “Qingdao Maidaο” leased by Qingdao Drainage to the Project Company for the purpose of operating and maintaining the whole of the Facilities pursuant to a lease agreement dated 1 November 2003 between the parties, and such lease constitutes a de minimis transaction which is exempt from the reporting, announcement and independent shareholders’ approval requirements under the Listing Rules
“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 owned as to 21% by CE Water Investments, 78% by Veolia Water and 1% by Qingdao Drainage
“Operation Company JV Contract”	joint venture contract dated 1 November 2003 and entered into among 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 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
“PRC”	The People’s Republic of China
“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 established under the laws of 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 and 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
“Shareholder(s)”	registered holder(s) of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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”	a French company, which is a member of the Veolia Group
“Waste Water Treatment Agreement”	waste water treatment agreement dated 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
“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 purpose of illustration only and unless otherwise stated, the conversion of RMB into HK\$ is based on the exchange rate of RMB1.00 = HK\$1.2416 and the conversion of US\$ into HK\$ is based on the exchange rate of US\$1.00 = HK\$7.7505. 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, 22 November 2012

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

Executive Directors

Mr. TANG Shuangning (*Chairman*)

Mr. ZANG Qiutao (*Vice-chairman*)

Mr. CHEN Xiaoping (*Chief Executive Officer*)

Mr. WANG Tianyi

Mr. WONG Kam Chung, Raymond

Mr. CAI Shuguang

Non-executive Director

Mr. FAN Yan Hok, Philip

Independent non-executive Directors

Mr. MAR Selwyn

Mr. LI Kwok Sing, Aubrey

Mr. ZHAI Haitao