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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

CEWL, the Company's 74.4% subsidiary listed on the SGX-ST, announced that CEWL and the Purchaser, which is a wholly-owned subsidiary of CEWL have on 28 August 2015 entered into the Agreement with the Vendors pursuant to which the Purchaser shall acquire the Equity Interest of the Target Company from the Vendors.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Vendors and Dongda Group's ultimate beneficial owners are Independent Third Parties.

As one of the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) exceeds 5% but are all less than 25%, the Proposed Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

As completion of the Proposed Acquisition is subject to a number of conditions, the Proposed Acquisition and the transactions contemplated under the Agreement may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

BACKGROUND OF THE ACQUISITION

CEWL, the Company's 74.4% subsidiary listed on the SGX-ST, announced that CEWL and the Purchaser, which is a wholly-owned subsidiary of CEWL have on 28 August 2015 entered into the Agreement with the Vendors pursuant to which the Purchaser shall acquire the Equity Interest of the Target Company from the Vendors.

THE AGREEMENT

Date

28 August 2015

Parties

- (i) Mr. Liu;
- (ii) Dongda Group Co., Ltd. (as Vendors);
- (iii) Beijing Everbright Water Investment Management Co., Ltd. (as Purchaser); and
- (iv) China Everbright Water Limited (as guarantor).

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Vendors and Dongda Group's ultimate beneficial owners are Independent Third Parties.

Subject matter

Pursuant to the Agreement, the Vendors have agreed to sell and the Purchaser has agreed to acquire the Equity Interest of the Target Company under the Proposed Acquisition.

For information of the Target Company, please refer to the section headed "Information on the parties involved in the Proposed Acquisition" below.

Consideration

The Purchaser will acquire the Equity Interest in three tranches, as follows:

- (i) subject to the satisfaction or waiver of the Relevant Conditions and other terms of the Agreement, the First Interest, being 34% of the Equity Interest to be acquired from Mr. Liu for a consideration of approximately RMB302,218,000 (equivalent to approximately HK\$366,590,000). The First Interest shall be transferred to the Purchaser within 30 days from the date of execution of the Agreement;
- (ii) the Second Interest, being 56% of the Equity Interest to be acquired from Mr. Liu for a consideration of approximately RMB497,771,000 (equivalent to approximately HK\$603,796,000). The Second Interest shall be transferred to the Purchaser within 60 days from the date of execution of the Agreement; and
- (iii) subject to and upon the Initial Registration Date, being the date of registration of Purchaser as the holder of the Initial Interest with the relevant PRC regulatory authorities (being the first completion date as reflected in the Agreement), the Remainder Interests, being 10% of the Equity Interest to be acquired from Dongda Group, which shall be transferred to the Purchaser in up to three phases over the Three-Year Period.

Pursuant to the Agreement, upon completion of the sale of the Initial Interest to the Purchaser on the Initial Registration Date, the Purchaser will be entitled to receive all dividends, distributions and payments declared, paid or made with effect from the Initial Registration Date in respect of the Remainder Interest, even though the entire Remainder Interest will be transferred by Dongda Group to the Purchaser in up to three phases over the Three Year Period. As such, from the Initial Registration Date, the Purchaser will be entitled to enjoy all the economic rights accruing to a shareholder of the entire Equity Interest (not including the Unpaid Receivables).

The aggregate consideration payable by the Purchaser to Mr. Liu for the Initial Interest in the amount of approximately RMB799,989,000 (equivalent to approximately HK\$970,386,000) shall be paid by the Purchaser to Mr. Liu within 60 days from the date of execution of the Agreement.

Contingent Payment

The Contingent Payment, being a contingent payment of up to RMB203,150,000 (equivalent to approximately HK\$246,421,000) may be payable by the Purchaser to Dongda Group in connection with the Remainder Interest. The Contingent Payment, if any, will be an amount equivalent to the amount of the Unpaid Receivables which the Target Company and certain of its subsidiaries are able to recover from the relevant PRC government authorities during the Three-Year Period.

As the amount of Unpaid Receivables outstanding as at 31 December 2014 is RMB203,150,000, the maximum possible Contingent Payment payable which may be made by the Purchaser to Dongda Group in connection with the Remainder Interest is RMB203,150,000. The Contingent Payment will only be made by the Purchaser to Dongda Group upon the receipt of the relevant amount of Unpaid Receivables and the actual amount payable may be less than RMB203,150,000, depending on the amount of Unpaid Receivables recovered, if any.

Completion

The entire Remainder Interest will be transferred by Dongda Group to the Purchaser by the end of the Three Year Period (such date of transfer being the final completion date as reflected in the Agreement), irrespective of whether and how much the Target Company and certain of its subsidiaries are able to recover from the total amount of the Unpaid Receivables.

Loans from the Purchaser

Subject to the satisfaction or waiver of the Relevant Conditions, the Purchaser shall provide the Loans, being loans in an aggregate amount of approximately RMB1,043,989,000 (equivalent to approximately HK\$1,266,359,000) to the Target Company. The Loans are being extended to the Target Company in order for the Target Company to retire all outstanding debts (including any declared dividends and trade payables) due and owing to Dongda Group and its related parties (other than the members of the Target Group). The amounts under the Loans will become a debt due and owing by the Target Company to the Purchaser and payable at a future date following completion of the Proposed Acquisition. The Loans shall be granted by the Purchaser in the following two phases, subject to deduction of the Deposit and adjustment made in accordance with the completion audit described in the Agreement :

- (i) the first phase, being the Initial Loan in the amount of RMB700,000,000 (equivalent to approximately HK\$849,100,000) before deduction of the Deposit), which shall be granted within 30 days of the date of execution of the Agreement; and
- (ii) the second phase, being the remainder of the Loans in the amount of approximately RMB343,989,000 (equivalent to approximately HK\$417,259,000), subject to any adjustment required to be made based on the completion audit as prescribed in the Agreement shall be granted within 60 days from the date of execution of the Agreement.

Deposit

The Purchaser has paid the Deposit in the amount of RMB50,000,000 (equivalent to approximately HK\$60,650,000) to the Target Company. Upon the provision of the Initial Loan to the Target Company, the Deposit will be treated as part of the Initial Loan granted by the Purchaser to the Target Company. If the Initial Loan is not granted by the Purchaser to the Target Company and the Agreement is terminated by the Vendors in accordance with the terms of the Agreement, the Deposit will be forfeited and transferred by the Target Company to the Vendors.

The consideration was determined after arm's length negotiations between the Purchaser and the Vendors and on normal commercial terms. The consideration payable by the Purchaser for the Initial Interest is determined on a "willing-buyer and willing-seller" basis, taking into consideration, amongst other things, (i) the market position of the Target Company; (ii) the quality of the assets and business conditions of the Target Company; (iii) the financial position of the Target Company; (iv) the future benefits and synergies expected to be created as a result of the Proposed Acquisition; (v) the prevailing industry and market conditions in the PRC; and (vi) the value of the Equity Interest as at 31 December 2014 based on the independent appraisal by the Independent Valuer.

CEWL will use its own internal resources or external borrowings or a combination of both to finance the Proposed Acquisition. Further announcement(s) will be made by the Company as and when appropriate to comply with the relevant requirements of the Listing Rules.

Guarantee

Pursuant to the Agreement, CEWL will be providing a guarantee in favour of Mr. Liu and the Target Company respectively in respect of the payment by the Purchaser of the consideration for the Initial Interest and the Loans. Upon payment by the Purchaser of the consideration for the Initial Interest and the Loans in full, CEWL will be automatically released and discharged from such guarantee.

Conditions precedent

The transfer of the First Interest and the grant of the Initial Loan are subject to certain conditions having been fulfilled or waived including, among other things : -

- (i) the representations and warranties made by each of the Purchaser, CEWL and the Vendors being true and accurate in all material respects as at the date of the Agreement and the date of transfer of the First Interest;
- (ii) there being no order, investigation, litigation or judgment by any court, governmental or regulatory body against CEWL and the Vendors which may restrict or prohibit the Proposed Acquisition;
- (iii) if requested for by the Purchaser, an equity pledge agreement shall be entered into between Mr. Liu and the Purchaser in relation to a pledge by Mr. Liu in favour of the Purchaser in respect of the First Interest, having been duly executed and delivered by Mr. Liu to the Purchaser; and
- (iv) certain other documents relating to the grant of the Initial Loan and the transfer of the First Interest having been delivered (a) by the Vendors to the Purchaser and CEWL or (b) by the Purchaser to the Vendors and the Target Company, as the case may be.

INFORMATION ON THE PARTIES INVOLVED IN THE PROPOSED ACQUISITION

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

To the best knowledge, information and belief of the Directors:

- (i) Dongda Group is a limited company incorporated in Dalian, Liaoning Province of PRC, which is principally engaged in public infrastructure, the construction and operation of urban public utilities. As at the date of the Agreement, Dongda Group is the registered shareholder of the Remainder Interest.

- (ii) Mr. Liu is a PRC citizen and is the registered shareholder of the Initial Interest as at the date of the Agreement.
- (iii) The Target Company is principally engaged in municipal waste water treatment, the provision of water improvement services, the construction and operation of urban public utilities and infrastructure (including sewage treatment plants) in Liaoning Province and Inner Mongolia Autonomous Region of the PRC. The Target Company has 17 municipal waste water treatment projects and provides water environment improvement services for various cities in Liaoning Province and Inner Mongolia Autonomous Region of the PRC. The contractual operating scale of the 17 urban waste water treatment plants invested, constructed and operated by the Target Company is 1.125 million tonnes per day.

The Purchaser has appointed the Independent Valuer to appraise the market value of the Target Group as at 31 December 2014. Pursuant to the Valuation Report, the value of the Equity Interest as at 31 December 2014 is approximately RMB897,000,000 (equivalent to approximately HK\$1,088,061,000).

Based on the unaudited financial statements of the Target Group prepared based on PRC GAAP, the net asset value of the Target Group was RMB236,573,000 (equivalent to approximately HK\$286,963,000) as at 31 December 2014. The unaudited financial information of the Target Group for the two years ended 31 December 2013 and 31 December 2014 were as follows:

	Year ended 31 December 2013	Year ended 31 December 2014
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Turnover	181,947	233,517
Net Profit before taxation and extraordinary items	41,021	50,156
Net Profit after taxation and extraordinary items	33,365	39,100
Net Asset	331,473	236,573

Upon completion of the Proposed Acquisition, the Target Company will become an indirect subsidiary of the Company.

REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITION

The Proposed Acquisition is a further expansion of the environmental water business of the CEWL Group and widens the geographical footprint of the CEWL Group in the PRC to cover Liaoning Province and Inner Mongolia Autonomous Region. This is in line with CEWL's strategy to become one of the leading water companies in the PRC.

The Directors (including the independent non-executive Directors) are of the opinion that the Agreement and the transactions contemplated thereunder are on normal commercial terms after arm's length negotiation between the parties, fair and reasonable in the interests of the Company and its Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one of the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) exceeds 5% but are all less than 25%, the Proposed Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

GENERAL

As completion of the Proposed Acquisition is subject to a number of conditions, the Proposed Acquisition and the transactions contemplated under the Agreement may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Agreement”	the equity transfer agreement in respect of the Proposed Acquisition dated 28 August 2015 entered into between CEWL, the Purchaser and the Vendors
“Board”	the board of directors of the Company
“CEWL”	China Everbright Water Limited, an indirect subsidiary of the Company incorporated in Bermuda, the shares of which are listed on SGX-ST
“CEWL Group”	CEWL and its subsidiaries

“Company”	China Everbright International Limited, a company incorporated under the laws of Hong Kong with limited liability and whose shares are listed on the Stock Exchange (stock code: 257)
“Contingent Payment”	a contingent payment of up to RMB203,150,000 (equivalent to approximately HK\$246,421,000) payable by the Purchaser to Dongda Group in connection with the Remainder Interest
“Deposit”	a deposit of RMB50,000,000 (equivalent to approximately HK\$60,650,000) paid by the Purchaser to the Vendor prior to the execution of the Agreement
“Director(s)”	the director(s) of the Company
“Dongda Group”	Dongda Group Co., Ltd., a company with limited liability incorporated under the PRC laws, being one of the Vendors under the Agreement
“Equity Interest”	the entire equity interest of the Target Company
“First Interest”	34% of the Equity Interest to be acquired from Mr. Liu by the Purchaser under the Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Initial Interest”	collectively, the First Interest and Second Interest
“Initial Registration Date”	the date of registration of the Purchaser as the holder of the Initial interest with the relevant PRC regulatory authorities
“Initial Loan”	the first phase of the Loan in the sum of RMB700,000,000 (equivalent to approximately HK\$849,100,000) to be provided by the Purchaser to the Target Company pursuant to the Agreement
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company or any of its connected persons (as defined under the Listing Rules)

“Independent Valuer”	Shenzhen Pengxin Assets, Land and Real Estate Appraisal Co., Ltd. (深圳市鵬信資產評估土地房地產估價有限公司), an Independent Third Party
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Loans”	loans amounting in aggregate to RMB1,043,989,000 (equivalent to approximately HK\$1,266,359,000) to be provided by the Purchaser to the Target Company in two phases
“Mr. Liu”	Mr. LIU Yubao, one of the Vendors under the Agreement
“PRC”	the People’s Republic of China (excluding for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“PRC GAAP”	Generally Accepted Accounting Principles in the PRC
“Proposed Acquisition”	the proposed acquisition of the Equity Interest of the Target Company by the Purchaser from the Vendors under the Agreement
“Purchaser”	Beijing Everbright Water Investment Management Co., Ltd., a company with limited liability incorporated under the PRC laws, being a wholly-owned subsidiary of CEWL
“Relevant Conditions”	the conditions precedent to the Proposed Acquisition under the Agreement
“Remainder Interest”	10% of the Equity Interest to be acquired from Dongda Group by the Purchaser under the Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Second Interest”	56% of the Equity Interest to be acquired by the Purchaser from Mr. Liu under the Agreement
“SGX-ST”	Singapore Exchange Securities Trading Limited
“Shareholders”	holders of the ordinary share(s) of the Company with no nominal value

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Dalian Dongda Water Co., Ltd., a company with limited liability incorporated under the PRC laws
“Target Group”	Target Company and its subsidiaries
“Three-Year Period”	a three-year period from the Initial Registration Date
“Unpaid Receivables”	the outstanding receivables owing to the Target Company and certain of its subsidiaries under certain concession agreements as at 31 December 2014
“Valuation Report”	the valuation report dated 20 July 2015 issued by the Independent Valuer and prepared on the basis of market approach methodologies in respect of the market value of the Equity Interest
“Vendors”	Mr. Liu and Dongda Group
“%”	per cent.

For the purpose of this announcement, the exchange rate of RMB1.00 = HK\$1.213 has been used for currency translation, where applicable as at 27 August 2015. Such exchange rates are for illustration purposes and do not constitute representations that any amount in RMB or HK\$ have been, could have been or may be converted at such rates.

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

Hong Kong, 29 August 2015

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