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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)

**TERMINATION OF EXISTING CONTINUING
CONNECTED TRANSACTIONS AGREEMENTS
AND
ENTERING INTO OF NEW CONTINUING
CONNECTED TRANSACTIONS AGREEMENTS**

The Company and CE Group entered into the Old Deposit Services Master Agreement and Old Loan Services Master Agreement on 14 May 2015.

The business and operation of the Group have been developing and expanding rapidly in recent years. The original annual monetary caps of the continuing connected transactions contemplated under each of the Old Services Master Agreements mentioned above are expected to be exceeded in the year of 2017. The Group wishes to continue receiving deposit and loan services from CE Bank and set new annual monetary caps for the transactions. Accordingly, on 7 December 2016, the Company entered into the New Deposit Services Master Agreement with CE Group, pursuant to which (1) the Company and CE Group have agreed to terminate the Old Deposit Services Master Agreement with effect from 1 January 2017 and (2) CE Group has agreed to provide, through CE Bank, deposit services to the Group in accordance with the terms thereunder for the years ending 31 December 2017, 2018 and 2019. On the same date, the Company also entered into the New Loan Services Master Agreement with CE Group, pursuant to which (1) the Company and CE Group have agreed to terminate the Old Loan Services Master Agreement with effect from 1 January 2017 and (2) CE Group has agreed to provide, through CE Bank, loan services to the Group in accordance with the terms thereunder for the years ending 31 December 2017, 2018 and 2019.

Since CE Group is the sole shareholder of CE Hong Kong, which is the indirect controlling shareholder of the Company indirectly holding approximately 41.40% equity interest in the Company, CE Group and its associates, including CE Bank, are connected persons of the Company under Chapter 14A of the Listing Rules. As such, the transactions contemplated under each of the New Services Master Agreements constitute continuing connected transactions of the Company.

As the applicable percentage ratios in respect of each of the New Services Master Agreements exceed 0.1% but are less than 5%, the continuing connected transactions contemplated thereunder are subject to the reporting and announcement requirements only but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

I. INTRODUCTION

Reference is made to the continuing connected transactions announcement of the Company dated 14 May 2015 in relation to the Old Deposit Services Master Agreement and Old Loan Services Master Agreement both entered into between the Company and CE Group on 14 May 2015.

The business and operation of the Group have been developing and expanding rapidly in recent years. The original annual monetary caps of the continuing connected transactions contemplated under each of the Old Services Master Agreements mentioned above are expected to be exceeded in the year of 2017. The Group wishes to continue receiving deposit and loan services from CE Bank and set new annual monetary caps for the transactions. Accordingly, on 7 December 2016, the Company entered into the New Deposit Services Master Agreement with CE Group, pursuant to which (1) the Company and CE Group have agreed to terminate the Old Deposit Services Master Agreement with effect from 1 January 2017 and (2) CE Group has agreed to provide, through CE Bank, deposit services to the Group in accordance with the terms thereunder for the years ending 31 December 2017, 2018 and 2019. On the same date, the Company also entered into the New Loan Services Master Agreement with CE Group, pursuant to which (1) the Company and CE Group have agreed to terminate the Old Loan Services Master Agreement with effect from 1 January 2017 and (2) CE Group has agreed to provide, through CE Bank, loan services to the Group in accordance with the terms thereunder for the years ending 31 December 2017, 2018 and 2019.

II. THE NEW DEPOSIT SERVICES MASTER AGREEMENT

The principal terms of the New Deposit Services Master Agreement are summarized below:

Date: 7 December 2016

Parties: (i) The Company; and
(ii) CE Group

Termination of the Old
Deposit Services Master
Agreement:

The parties absolutely, irrevocably and unconditionally agree and confirm that with effect from 1 January 2017, the Old Deposit Services Master Agreement shall be terminated and superseded by the New Deposit Services Master Agreement in its entirety. The parties further agree that from 1 January 2017, their rights and obligations under the Old Deposit Services Master Agreement shall be terminated with immediate effect and neither party shall be held responsible to the other party for any obligation in connection with the Old Deposit Services Master Agreement unless such obligation had occurred or the rights had arisen prior to the termination of the Old Deposit Services Master Agreement.

Services to be provided:

Provision of deposit services by CE Group, through CE Bank, to the Group.

Term:

The New Deposit Services Master Agreement shall take effect from 1 January 2017 and shall expire on 31 December 2019.

Payment:

The time and means of payment is to be agreed by the parties with reference to customary business terms through arm's-length negotiations.

Others: The New Deposit Services Master Agreement shall be on a non-exclusive basis and the Company is at liberty to obtain deposit services from other third parties.

CE Group shall procure CE Bank to provide to the Group deposit services (including current and fixed term deposit) in accordance with rules and regulations prescribed by the PBOC and/or other relevant rules and regulations within or outside the PRC.

The deposit services to be provided by CE Group shall be on normal commercial terms and no less favourable than the terms available to the Group from independent third parties.

Historical Figures and Proposed Annual Monetary Caps

The following table sets out the amounts of historical transactions for deposit services provided by CE Bank to the Group for the three years ended 31 December 2015 and the eleven months ended 30 November 2016:

	For the year ended 31 December			For the eleven months ended
	2013	2014	2015	30 November
	HK\$	HK\$	HK\$	2016
				HK\$
Maximum daily closing balance of deposits (including interests accrued thereon)	<u>1,393,921,000</u>	<u>1,393,921,000</u>	<u>943,441,000</u>	<u>762,526,000</u>

Note: CE Bank had been providing deposit services to the Group for the two years ended 31 December 2014. Before 14 May 2015, such a continuing transaction did not constitute a continuing connected transaction of the Company. Therefore the above amounts of historical transactions for the two years ended 31 December 2014 were not subject to the annual monetary caps under the Old Deposit Services Master Agreement.

The following table sets out the pricing standard and the proposed annual monetary caps of the continuing connected transactions contemplated under the New Deposit Services Master Agreement:

	For the year ending 31 December		
	2017	2018	2019
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Maximum daily closing balance of deposits (including interests accrued thereon)	<u>2,000,000,000</u>	<u>2,000,000,000</u>	<u>2,000,000,000</u>
Pricing standard	The interest rate for deposit services shall be based on normal commercial terms, agreed through arm's-length negotiations between the parties and no less favourable than the terms available to the Group from independent third parties.		

Basis for the Annual Monetary Caps Contemplated under the New Deposit Services Master Agreement

The Directors (including the independent non-executive Directors) consider that it is in the interests of the Company to enter into the transactions under the terms and conditions set out in the New Deposit Services Master Agreement. The Directors have determined the annual monetary caps for the deposit services with reference to a number of factors, including (i) the historical figures of the maximum closing balance (including interest accrued thereon) of deposits in previous years, (ii) the expected continuous growth in assets and amount of deposits of the Group, and (iii) the business development plans and financial needs of the Group.

III. THE NEW LOAN SERVICES MASTER AGREEMENT

The principal terms of the New Loan Services Master Agreement are summarized below:

Date: 7 December 2016

Parties: (i) The Company; and
(ii) CE Group

Termination of the Old Loan Services Master Agreement: The parties absolutely, irrevocably and unconditionally agree and confirm that with effect from 1 January 2017, the Old Loan Services Master Agreement shall be terminated and superseded by the New Loan Services Master Agreement in its entirety. The parties further agree that from 1 January 2017, their rights and obligations under the Old Loan Services Master Agreement shall be terminated with immediate effect and neither party shall be held responsible to the other party for any obligation in connection with the Old Loan Services Master Agreement unless such obligation had occurred or the rights had arisen prior to the termination of the Old Loan Services Master Agreement.

Services to be provided: Provision of loan services by CE Group, through CE Bank, to the Group.

Term: The New Loan Services Master Agreement shall take effect from 1 January 2017 and shall expire on 31 December 2019.

Payment: The time and means of payment is to be agreed by the parties with reference to customary business terms through arm's-length negotiations.

Others:

The New Loan Services Master Agreement shall be on a non-exclusive basis and the Company is at liberty to obtain loan services from other third parties.

CE Group shall procure CE Bank to provide loans (including revolving credit facility and fixed term loan) to the Group, in accordance with rules and regulations prescribed by the PBOC and/or other relevant rules and regulations within or outside the PRC.

The loans services to be provided by CE Group shall be on normal commercial terms and no less favourable than the terms available to the Group from independent third parties.

It is possible that the Group may need to pledge its assets for some of the loan facilities to be provided by CE Group under the New Loan Services Master Agreement, and such loans will be subject to the annual monetary caps as set out in this announcement. In the circumstances whereby the loans to be provided by CE Group are on normal commercial terms or better where no security over the assets of the Group is granted, such loan facilities will be fully exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules, and will not be subject to the annual monetary caps as set out in this announcement.

Historical Figures and Proposed Annual Monetary Caps

The following table sets out the amounts of historical transactions for loan services provided by CE Bank to the Group for the three years ended 31 December 2015 and the eleven months ended 30 November 2016:

	For the year ended 31 December			For the eleven months ended
	2013	2014	2015	30 November
	HK\$	HK\$	HK\$	2016 HK\$
Maximum daily closing balance of loans	<u>193,877,000</u>	<u>295,925,000</u>	<u>180,604,000</u>	<u>370,261,000</u>

Note: CE Bank had been providing loan services to the Group for the two years ended 31 December 2014. Before 14 May 2015, such a continuing transaction did not constitute a continuing connected transaction of the Company. Therefore the above amounts of historical transactions for the two years ended 31 December 2014 were not subject to the annual monetary caps under the Old Loan Services Master Agreement.

The following table sets out the pricing standard and the proposed annual monetary caps of the continuing connected transactions contemplated under the New Loan Services Master Agreement:

	For the year ending 31 December		
	2017	2018	2019
	HK\$	HK\$	HK\$
Maximum daily closing balance of loans (excludes loans which do not require security over the assets of the Group)	<u>2,000,000,000</u>	<u>2,000,000,000</u>	<u>2,000,000,000</u>

Pricing standard

The interest rate for loan services shall be based on normal commercial terms, agreed through arm's-length negotiations between the parties and no less favourable than the terms available to the Group from independent third parties.

Basis for the Annual Monetary Caps Contemplated under the New Loan Services Master Agreement

The Directors (including the independent non-executive Directors) consider that it is in the interests of the Company to enter into the transactions under the terms and conditions set out in the New Loan Services Master Agreement. The Directors have determined the annual monetary caps for the loan services with reference to a number of factors, including (i) the historical figures of the maximum closing balance of loans in previous years, (ii) the expected increase in the amount of loans required by the Group arising from the anticipated tremendous increase in the Group's future business operations, and (iii) the business development plans and financial needs of the Group.

IV. INTERNAL CONTROL MEASURES

In order to protect the interests of the Shareholders, the Company will adopt the following internal control procedures in relation to its use of the services provided by CE Group, through CE Bank, under the New Services Master Agreements:

- the Group will comply with its internal control procedures in respect of related party transactions before the Company or any of its subsidiaries enters into any deposit services or any loan or credit facilities agreements with CE Bank; and
- the deposit services or any loan or credit facilities entered into with CE Bank will be reviewed annually by the audit committee of the Company.

The Board considers that the above internal control procedures adopted by the Company in connection with the continuing connected transactions with CE Group are appropriate and sufficient, and will give sufficient assurance that the continuing connected transactions will be appropriately monitored by the Company.

V. REASONS FOR AND BENEFITS OF THE NEW SERVICES MASTER AGREEMENTS

The business and operation of the Group have been developing and expanding rapidly in recent years. As the original annual monetary caps of the continuing connected transactions contemplated under each of the Old Services Master Agreements are expected to be exceeded in the year of 2017 and the Group wishes to continue receiving deposit and loan services from CE Bank, the New Services Master Agreements were entered into for the purposes of terminating the Old Services Master Agreements, allowing CE Bank to provide deposit and loan services to the Group for the years in

2017, 2018 and 2019 and setting new annual monetary caps for such years. The Directors believe that CE Bank is well positioned to serve the financial needs of the Group as it has a thorough understanding of the operations and development needs of the Group. It is also expected that it will be cost-efficient, expedient and beneficial for the Group to receive deposit and loan services from CE Bank. In addition, CE Bank is regulated by China Banking Regulatory Commission and is subject to the rules and requirements of such regulatory authority, thus reducing risks to the Group in receiving financial services from CE Bank.

The terms of the New Services Master Agreements have been agreed upon arm's-length negotiations between the Company and CE Group.

The Directors (including the independent non-executive Directors) are of the view that (i) the continuing connected transactions contemplated under the New Services Master Agreements will be carried out in the ordinary and usual course of business of the Company; (ii) the terms of the New Services Master Agreements are normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole; and (iii) the proposed annual monetary caps of the transactions contemplated under the New Services Master Agreements are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

VI. LISTING RULES IMPLICATIONS

Since CE Group is the sole shareholder of CE Hong Kong, which is the indirect controlling shareholder of the Company indirectly holding approximately 41.40% equity interest in the Company, CE Group and its associates, including CE Bank, are connected persons of the Company under Chapter 14A of the Listing Rules. As such, the transactions contemplated under each of the New Services Master Agreements constitute continuing connected transactions of the Company.

As the applicable percentage ratios in respect of each of the New Services Master Agreements exceed 0.1% but are less than 5%, the continuing connected transactions contemplated thereunder are subject to the reporting and announcement requirements only but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Mr. Tang Shuangning, the executive Director and Chairman of the Company, and Mr. Cai Yunge, the executive Director and Vice-chairman of the Company, have abstained from voting to approve each of the New Services Master Agreements and the proposed annual monetary caps in the Board meeting due to the fact that they have connected relationships with CE Group and CE Bank. Save as disclosed above, none of the Directors has a material interest in either of the New Services Master Agreements or is required to abstain from voting on the resolutions in relation to such transactions.

VII. GENERAL INFORMATION

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

CE Group is the sole shareholder of CE Hong Kong, which is the indirect controlling shareholder of the Company. It is a conglomerate which, through its subsidiaries and associates, engages in a diverse range of businesses including banking, securities and asset management.

CE Bank was incorporated as a joint stock company with limited liability in the PRC and is one of the major commercial banks in the PRC, and primarily engages in the commercial banking business, including retail banking, corporate banking and treasury operation, etc.

VIII. DEFINITIONS

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

“associate”	has the meaning ascribed thereto under Chapter 14A of the Listing Rules
“Board”	the board of Directors
“CE Bank”	China Everbright Bank Company Limited* (中國光大銀行股份有限公司), a joint stock limited company incorporated in the PRC and the H shares and A shares of which are listed on the Stock Exchange (stock code: 6818) and the Shanghai Stock Exchange (stock code: 601818), respectively, and an associate of CE Group

“CE Group”	China Everbright Group Ltd.* (中國光大集團股份有限公司), a joint stock company incorporated in the PRC and the sole shareholder of CE Hong Kong, which is the indirect controlling shareholder of the Company
“CE Hong Kong”	China Everbright Holdings Company Limited (中國光大集團有限公司), a company incorporated under the laws of Hong Kong with limited liability and the indirect controlling shareholder of the Company
“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)
“connected person(s)”	has the meaning ascribed thereto under Chapter 14A of the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto under Chapter 1 of the Listing Rules
“Director(s)”	the director(s) of the Company
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“New Deposit Services Master Agreement”	the agreement entered into between the Company and CE Group on 7 December 2016, pursuant to which (1) the Company and CE Group have agreed to terminate the Old Deposit Services Master Agreement and (2) CE Group has agreed to provide, through CE Bank, deposit services to the Group in accordance with the terms thereunder for the years ending 31 December 2017, 2018 and 2019
“New Loan Services Master Agreement”	the agreement entered into between the Company and CE Group on 7 December 2016, pursuant to which (1) the Company and CE Group have agreed to terminate the Old Loan Services Master Agreement and (2) CE Group has agreed to provide, through CE Bank, loan services to the Group in accordance with the terms thereunder for the years ending 31 December 2017, 2018 and 2019
“New Services Master Agreements”	the New Deposit Services Master Agreement and the New Loan Services Master Agreement
“Old Deposit Services Master Agreement”	the agreement entered into between the Company and CE Group on 14 May 2015, pursuant to which CE Group has agreed to provide, through CE Bank, deposit services to the Group in accordance with the terms thereunder for the years ending 31 December 2015, 2016 and 2017 (details of which have been set out in the Company’s announcement dated 14 May 2015)
“Old Loan Services Master Agreement”	the agreement entered into between the Company and CE Group on 14 May 2015, pursuant to which CE Group has agreed to provide, through CE Bank, loan services to the Group in accordance with the terms thereunder for the years ending 31 December 2015, 2016 and 2017 (details of which have been set out in the Company’s announcement dated 14 May 2015)

“Old Services Master Agreements”	the Old Deposit Services Master Agreement and the Old Loan Services Master Agreement
“PBOC”	The People’s Bank of China (中國人民銀行), the central bank of the PRC
“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)
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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

Hong Kong, 7 December 2016

As at the date of this announcement, the Board comprises: (i) six executive Directors, namely Mr. Tang Shuangning (Chairman), Mr. Cai Yunge (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.

* *For identification purposes only*