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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)

CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 19 January 2007 in respect of, among other things, the continuing connected transactions contemplated (1) under the Technical Assistance Agreement, the Previous Caps of which were approved by the Board on 19 January 2007, and (2) the Waste Water Treatment Agreement and the Operation and Maintenance Agreement and their respective Previous Caps were approved by Guildford Limited, the intermediate controlling Shareholder.

Revision of annual caps for the year ending 31 December 2009

The Company expects that the annual transaction value of the transactions contemplated under each of the Technical Assistance Agreement, the Waste Water Treatment Agreement and the Operation and Maintenance Agreement for the year ending 31 December 2009 will exceed the relevant Previous Cap, and therefore proposes to increase the Previous Cap in respect of each of the above transactions.

As one or more of the relevant percentage ratios in relation to the revised annual cap in respect of the transactions contemplated under the Technical Assistance Agreement for the year ending 31 December 2009 exceed 0.1% but are less than 2.5%, such revised annual cap is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under the Listing Rules.

As one or more of the relevant percentage ratios in relation to each of the revised annual caps in respect of the transactions contemplated under each of the Waste Water Treatment Agreement and the Operation and Maintenance Agreement for the year ending 31 December 2009 exceed 2.5%, such Revised Caps are subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

Revision of annual caps for the three years ending 31 December 2012

As the Previous Caps related to the Waste Water Treatment Agreement and the Operation and Maintenance Agreement were approved for the three years ending 31 December 2009 and will be expired on 31 December 2009, the Company is, once again, required to comply with the reporting, announcement and shareholders' approval requirement (if applicable) under the Listing Rules for the Non-exempt Continuing Connected Transactions starting from 1 January 2010.

As one or more of the relevant percentage ratios in relation to each of the revised annual caps in respect of the transactions contemplated under each of the Waste Water Treatment Agreement and the Operation and Maintenance Agreement for each of the three years ending 31 December 2012 exceed 2.5%, such transactions are subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

As no Shareholders have any interest in each of the Waste Water Treatment Agreement and the Operation and Maintenance Agreement, no Shareholders are required to abstain from voting for the continuing connected transactions contemplated under the Waste Water Treatment Agreement and the Operation and Maintenance Agreement, respectively, at the Shareholders' meeting to be convened by the Company to approve such transactions.

First Shanghai, the independent financial adviser to the Independent Board Committee and the Shareholders, will be appointed by the Company to advise the Independent Board Committee and the Shareholders in relation to the Non-exempt Continuing Connected Transactions and the Revised Caps.

A circular containing, among other things, further information on the Waste Water Treatment Agreement and the Operation and Maintenance 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

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 19 January 2007 in respect of, among other things, the continuing connected transactions contemplated under (1) the Technical Assistance Agreement, the Previous Caps of which were approved by the Board on 19 January 2007, and (2) the Waste Water Treatment Agreement and the Operation and Maintenance Agreement and their respective Previous Caps were approved by Guildford Limited, the intermediate controlling Shareholder.

The Company expects that the annual transaction value of the transactions contemplated under each of the Technical Assistance Agreement, the Waste Water Treatment Agreement and the Operation and Maintenance Agreement for the year ending 31 December 2009 will exceed the relevant Previous Cap, and therefore proposes to increase the Previous Cap in respect of each of the above transactions.

As the Previous Caps related to the Waste Water Treatment Agreement and the Operation and Maintenance Agreement were approved for the three years ending 31 December 2009 and will be expired on 31 December 2009, the Company is, once again, required to comply with the reporting, announcement and shareholders' approval requirement (if applicable) under the Listing Rules for the Non-exempt Continuing Connected Transactions starting from 1 January 2010.

TECHNICAL ASSISTANCE AGREEMENT – REVISION OF ANNUAL CAP FOR THE YEAR ENDING 31 DECEMBER 2009

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 of the Company under 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\$1,334,000) 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\$1,112,000) 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 estimated amounts and the Technical Assistance Annual Caps relating to the Technical Assistance Agreement for the three years ending 31 December 2009:

Year ended 31 December 2007 (US\$'000)		Year ended 31 December 2008 (US\$'000)		Year ending 31 December 2009 (US\$'000)	
Annual cap	Actual amount	Annual cap	Actual amount	Annual cap	Estimated amount
290	285	290	285	180	285

According to the Technical Assistance Agreement, the fixed annual services assistance fee shall be payable 15 days after receipt of the relevant invoice by Veolia Asia in respect of the services rendered pursuant to the Technical Assistance Agreement. No invoice has been received by the Project Company for any services rendered by Veolia Asia during 2009, but the Company expects that, if such invoice is received, the actual amount incurred in respect of the transactions contemplated under the Technical Assistance Agreement for the year ending 31 December 2009 will exceed the relevant Previous Cap of US\$180,000 (approximately HK\$1,404,000). This is mainly because, under the Technical Assistance Agreement, the Project Company is subject to a fixed annual fee of US\$285,000 for the first five financial years starting from the commencement of operation of the Project, which was originally expected to take place in 2004, and subsequently a reduced annual fee of US\$171,000 for the next ten financial years. However, the commencement of the operation of the Project was delayed and only occurred in 2005, as a result of which the fixed annual fee of US\$285,000 payable in the fifth financial year became payable in 2009 (rather than 2008 as originally expected). In light of the above, the Company proposes to revise the annual cap for the year ending 31 December 2009 to US\$285,000 (equivalent to approximately HK\$2,223,000).

As one or more of the relevant percentage ratios in relation to the revised annual cap in respect of the transactions contemplated under the Technical Assistance Agreement for the year ending 31 December 2009 exceed 0.1% but are less than 2.5%, such revised annual cap is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under the Listing Rules.

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 was 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 were fair and reasonable and that the terms of the Technical Assistance Agreement were 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 under 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.

WASTE WATER TREATMENT AGREEMENT AND OPERATION AND MAINTENANCE AGREEMENT – REVISION OF ANNUAL CAPS FOR THE YEAR ENDING 31 DECEMBER 2009 AND THE THREE YEARS ENDING 31 DECEMBER 2012

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 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 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.

Previous Caps and Revised Caps:

The table below sets out the historical amounts and estimated amounts and the Waste Water Treatment Annual Caps relating to the Waste Water Treatment Agreement for the three years ending 31 December 2009:

Year ended 31 December 2007 (RMB'000)		Year ended 31 December 2008 (RMB'000)		Year ending 31 December 2009 (RMB'000)	
Annual cap	Actual amount	Annual cap	Actual amount	Annual cap	Estimated amount
71,000	67,723	71,000	67,095	71,000	79,000

As stated in the table above, the actual amounts received by the Project Company under the Waste Water Treatment Agreement were within the Waste Water Treatment Annual Caps for the two years ended 31 December 2008. The Company has already incurred RMB65,491,000 (equivalent to approximately HK\$74,313,000) under the Waste Water Treatment Agreement as at the Latest Practicable Date and expects that the annual transaction value of the transactions contemplated under the Waste Water Treatment Agreement for the year ending 31 December 2009 will exceed the relevant Previous Cap. This is mainly because under the Waste Water Treatment Agreement, the Project Company is entitled to apply for payment for price adjustments subject to the discretionary approval by the relevant PRC authorities. On 31 May 2009, the Project Company received a lump sum payment from Qingdao Drainage in respect of the adjustments for the three years ended 31 December 2008 that has significantly increased the amount of the service charge paid to the Project Company for the year ending 31 December 2009. As the Company expects that the relevant Previous Cap will be exceeded, it proposes to increase such Previous Cap to RMB79,000,000 (equivalent to approximately HK\$89,641,000), and is required under Rule 14A.36 of the Listing Rules to re-comply with Rules 14A.35(3) and (4) of the Listing Rules in respect of the increased annual cap.

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 2012. Accordingly, the Waste Water Treatment Annual Caps for three years ending 31 December 2012 will be significantly higher than those for the preceding three years ending 31 December 2009. 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 increase in the projected volume of waste water to be treated for the three years ending 31 December 2012.

In light of the above, the Company proposes that the Waste Water Treatment Annual Caps for the three years ending 31 December 2012 should be RMB80,000,000 (equivalent to approximately HK\$90,776,000), RMB98,000,000 (equivalent to approximately HK\$111,201,000) and RMB108,000,000 (equivalent to approximately HK\$122,548,000), respectively.

As the Waste Water Treatment 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 Directors (excluding the independent non-executive Directors who will express their view after receiving advice from First Shanghai, the independent financial advisor to the Independent Board Committee) are of the view that (1) the terms of the Waste Water Treatment Agreement and the Waste Water Treatment Annual Caps for the three years ending 31 December 2012, and (2) the Revised Cap for the transactions contemplated under the Waste Water Treatment Agreement for the year ending 31 December 2009 are fair and reasonable and that (1) the terms of the Waste Water Treatment Agreement and the Waste Water Treatment Annual Caps for the three years ending 31 December 2012, and (2) the Revised Cap for the transactions contemplated under the Waste Water Treatment Agreement for the year ending 31 December 2009 are 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 and the Revised Cap for year ending 31 December 2009 and the Waste Water Treatment Annual Caps for the three years ending 31 December 2012 contemplated by the Waste Water Treatment Agreement are 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.

Condition Precedent:

The revision of (1) the Waste Water Treatment Annual Caps for the three years ending 31 December 2012 and (2) the Revised Cap for the transactions contemplated under the Waste Water Treatment Agreement for the year ending 31 December 2009 are subject to the approval by the Shareholders at the general meeting.

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.

Previous Caps and Revised Caps:

The table below sets out the historical amounts and estimated amounts and the Operation and Maintenance Annual Caps relating to the Operation and Maintenance Agreement for the three years ending 31 December 2009:

Year ended 31 December 2007 (RMB'000)		Year ended 31 December 2008 (RMB'000)		Year ending 31 December 2009 (RMB'000)	
Annual cap	Actual amount	Annual cap	Actual amount	Annual cap	Estimated amount
38,000	26,861	36,000	34,921	33,000	39,000

As stated in the table above, the actual amounts received by the Operation Company under the Operation and Maintenance Agreement were within the Operation and Maintenance Annual Caps for the two years ended 31 December 2008. The Company has already incurred RMB31,232,000 (equivalent to approximately HK\$35,439,000) as at the Latest Practicable Date under the Operation and Maintenance Agreement and expects that the annual transaction value of the transactions contemplated under the Operation and Maintenance Agreement for the year ending 31 December 2009 will exceed the relevant Previous Cap. This is mainly because under the Operation and Maintenance Agreement, the Operation Company is entitled to apply for payment for price adjustments if the relevant PRC authorities have approved the payment for the price adjustments to the Project Company under the Waste Water Treatment Agreement. On 9 June 2009, the Operation Company received a lump sum payment from the Project Company in respect of the adjustments for the three years ended 31 December 2008 that has significantly increased the amount of the service charge paid to the Operation Company for the year ending 31 December 2009. As the Company expects that the relevant Previous Cap will be exceeded, it proposes to increase such Previous Cap to RMB39,000,000 (equivalent to approximately HK\$44,253,000), and is required under Rule 14A.36 of the Listing Rules to re-comply with Rules 14A.35(3) and (4) of the Listing Rules in respect of the increased annual cap.

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 2012. Accordingly, the Operation and Maintenance Annual Caps for three years ending 31 December 2012 will be significantly higher than those for the preceding three years ending 31 December 2009. 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 2012. The Company proposes that the Operation and Maintenance Annual Caps for the three years ending 31 December 2012 should be RMB38,000,000 (equivalent to approximately HK\$43,119,000), RMB43,000,000 (equivalent to approximately HK\$48,792,000) and RMB54,000,000 (equivalent to approximately HK\$61,274,000), respectively.

As the Operation and Maintenance 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, the Directors (excluding the independent non-executive Directors who will express their view after receiving advice from First Shanghai, the independent financial advisor to the Independent Board Committee) are of the view that (1) the terms of the Operation and Maintenance Agreement and the Operation and Maintenance Annual Caps for the three years ending 31 December 2012, and (2) the Revised Cap for the Operation and Maintenance Agreement for the year ending 31 December 2009 are fair and reasonable and that (1) the terms of the Operation and Maintenance Agreement and the Operation and Maintenance Annual Caps for the three years ending 31 December 2012, and (2) the Revised Cap for the Operation and Maintenance Agreement for the year ending 31 December 2009 are 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 and the Operation and Maintenance Annual Caps for the three years ending 31 December 2012 and the Revised Cap for year ending 31 December 2009 contemplated under the Operation and Maintenance Agreement are 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.

Condition Precedent:

The revision of (1) the Operation and Maintenance Annual Caps for the three years ending 31 December 2012 and (2) the Revised Cap for the transactions contemplated under the Operation and Maintenance Agreement for the year ending 31 December 2009 are subject to the approval by the Shareholders at the general meeting.

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 Technical Assistance Agreement, 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 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.

The Directors (excluding the independent non-executive Directors who will express their view after receiving advice from First Shanghai, the independent financial advisor to the Independent Board Committee) are of the view that (1) the terms of the Waste Water Treatment Agreement, the Waste Water Treatment Annual Caps for the three years ending 31 December 2012, the Operation and Maintenance Agreement and the Operation and Maintenance Annual Caps for the three years ending 31 December 2012 and (2) the Revised Cap for each of the Waste Water Treatment Agreement and the Operation and Maintenance Agreement for the year ending 31 December 2009 are fair and reasonable and that (1) the terms of the Waste Water Treatment Agreement, the Waste Water Treatment Annual Caps for the three years ending 31 December 2012, the Operation and Maintenance Agreement and the Operation and Maintenance Annual Caps for the three years ending 31 December 2012, and (2) the Revised Cap for each of the Waste Water Treatment Agreement and the Operation and Maintenance Agreement for the year ending 31 December 2009 are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As disclosed above, the Technical Assistance Agreement, 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 Technical Assistance Agreement, 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 far as revision of the annual caps for the year ending 31 December 2009 is concerned:

- (1) as one or more of the relevant percentage ratios in relation to the revised annual cap in respect of the transactions contemplated under the Technical Assistance Agreement for the year ending 31 December 2009 exceed 0.1% but are less than 2.5%, such revised annual cap is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under the Listing Rules; and
- (2) as one or more of the relevant percentage ratios in relation to each of the revised annual caps in respect of the transactions contemplated under each of the Waste Water Treatment Agreement and the Operation and Maintenance Agreement for the year ending 31 December 2009 exceed 2.5%, such Revised Caps are subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

Regarding revision of the annual caps for three years ending 31 December 2012, as one or more of the relevant percentage ratios in relation to each of the Revised 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 2012 exceed 2.5%, such transactions are subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

As no Shareholders have any interest in each of the Waste Water Treatment Agreement and the Operation and Maintenance Agreement, no Shareholders are required to abstain from voting for the continuing connected transactions contemplated by the Waste Water Treatment Agreement and the Operation and Maintenance Agreement, respectively, at the Shareholders' meeting to be convened by the Company to approve such transactions.

First Shanghai, the independent financial adviser to the Independent Board Committee and the Shareholders, will be appointed by the Company to advise the Independent Board Committee and the Shareholders in relation to the Non-exempt Continuing Connected Transactions and the Revised Caps.

A circular containing, among other things, further information on the Waste Water Treatment Agreement and the Operation and Maintenance 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.

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 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:

“Associate(s)”	has the meaning ascribed to it in the Listing Rules
“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 municipality of Qingdao, Shandong Province, the PRC
“First Shanghai”	First Shanghai Capital Limited, an independent financial adviser to be appointed by the Company to advise the Independent Board Committee and the Shareholders in relation to the Non-exempt Continuing Connected Transactions and the Revised Caps
“Group”	the Company and its subsidiaries
“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 Non-exempt Continuing Connected Transactions and the Revised Caps
“Latest Practicable Date”	31 October 2009, being the latest practicable date for ascertaining certain information in this Announcement prior to its publication
“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 minimise 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
“Non-exempt Continuing Connected Transactions”	continuing connected transactions between the Project Company and connected persons of the Company contemplated under the Waste Water Treatment Agreement and the Operation and Maintenance Agreement

“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(s)”	annual maximum total amount of the transactions contemplated by the Operation and Maintenance Agreement
“PRC”	The People’s Republic of China
“Previous Cap(s)”	maximum annual value(s) of each of the continuing connected transactions for the three years ending 31 December 2009 previously approved by Guildford Limited or the Board (as the case may be)
“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 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 Cap(s)”	maximum annual value(s) of the transactions contemplated under the Waste Water Treatment Agreement and the Operation and Maintenance Agreement for the year ending 31 December 2009 and each of the Non-exempt Continuing Connected Transactions for the three years ending 31 December 2012 subject to the approval by the Shareholders at the general meeting
“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(s)”	annual maximum total amount of the transactions contemplated by the Technical Assistance Agreement
“Veolia Asia”	Veolia Water Asia Limited, a limited liability company incorporated under the laws of 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”	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(s)”	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\$1.1347 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, 9 November 2009

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. LI Xueming (*Vice-chairman*)
Mr. CHEN Xiaoping (*Chief Executive Officer*)
Mr. FAN Yan Hok, Philip
Mr. WONG Kam Chung, Raymond
Ms. ZHANG Weiyun

Independent non-executive Directors

Sir David AKERS-JONES
Mr. LI Kwok Sing, Aubrey
Mr. MAR Selwyn