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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: 00257)

- (1) PLACING OF EXISTING SHARES**
(2) SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE
(3) CONNECTED TRANSACTION IN RELATION TO THE PLACING
AND
(4) RESUMPTION OF TRADING

Morgan Stanley



Morgan Stanley & Co. International plc

and

China Everbright Securities (HK) Limited

as

Placing Agents

PLACING AND SUBSCRIPTION AGREEMENT

On December 10, 2013, the Vendor (being the controlling shareholder of the Company), the Company and the Placing Agents entered into the Placing and Subscription Agreement, pursuant to which: (a) Morgan Stanley has agreed to act as a placing agent of the Vendor to procure purchasers for, or failing which, to purchase itself, the Morgan Stanley Sale Shares (being 387,000,000 Shares) at the Placing Price (being HK\$8.52 per Share); (b) CES has agreed to act as a placing agent of the Vendor to procure purchasers, on a best efforts basis, to purchase the CES Sale Shares (being 43,000,000 Shares) at the Placing Price (being HK\$8.52 per Share); and (c) the Vendor has agreed to subscribe for, and the Company has agreed to allot and issue to the Vendor, the Subscription Shares (being 430,000,000 Shares, which is the same number of Shares as the Sale Shares) at the Subscription Price. The Placing is conditional on certain termination events upon the occurrence of which the Placing will not proceed to completion unless otherwise waived by the Placing Agents and the Subscription is subject to certain conditions set out below under the paragraph headed "Conditions of the Subscription" below.

The number of Sale Shares represents approximately 10.61% of the issued share capital of the Company as at the date of this announcement and approximately 9.59% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

The Placing Price of HK\$8.52 per Share, represents:

- (i) a discount of approximately 4.38% to the closing price of HK\$8.91 per Share as quoted on the Stock Exchange on December 9, 2013 as the last day before entering into the Placing and Subscription Agreement; and
- (ii) a discount of approximately 1.87% to the average closing price of HK\$8.682 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including December 9, 2013.

GENERAL MANDATE TO ISSUE THE SUBSCRIPTION SHARES

The Subscription Shares will be issued under the General Mandate granted to the Directors to allot, issue and deal with Shares by resolution of the shareholders of the Company passed at the AGM subject to the limit up to 20% of the then issued share capital of the Company as at the date of the AGM. Under the General Mandate, the Company is authorized to issue up to 808,242,340 Shares. Up to the date of this announcement, no Share has been issued under the General Mandate. Following the completion of the Subscription, a total of 430,000,000 Shares will be allotted and issued, representing approximately 53.2% of the 808,242,340 Shares granted under the General Mandate.

USE OF PROCEEDS

Assuming all the 430,000,000 Shares are successfully placed, it is expected that the net proceeds (after deducting all applicable costs and expenses, including commission, legal fees, stamp duty and levies) from the Subscription will amount to approximately HK\$3,617 million (being a net placing price of approximately HK\$8.41 per Share). The Company intends to use the net proceeds from the Subscription for the development of the environmental protection business and general working capital of the Group.

At the request of the Company, trading in the Shares on the Stock Exchange has been halted from 1:27 p.m. on Tuesday, December 10, 2013 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange from 9:00 a.m. on Wednesday, December 11, 2013.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, CEHCL, a controlling shareholder of the Company, indirectly held an aggregate of 1,853,951,910 Shares, representing approximately 45.73% of the entire issued share capital of the Company. CES is an associate of CEHCL and is therefore a connected person of the Company under the Listing Rules. The transaction between the Company and CES under the Placing and Subscription Agreement is therefore a connected transaction of the Company under Chapter 14A of the Listing Rules.

Assuming that the CES Sale Shares are fully placed, pursuant to the Placing and Subscription Agreement, subject to the completion of the Subscription and the Placing, CES will receive a placing commission of approximately HK\$4,282,800, to be deducted from the proceeds of the Placing. As the relevant percentage ratios in respect of the placing commission to be paid to CES in connection with the Placing under the Placing and Subscription Agreement pursuant to Rule 14.07 of the Listing Rules is more than 0.1% but less than 5%, the transaction between the Company and CES under the Placing and Subscription Agreement is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE PLACING AND SUBSCRIPTION AGREEMENT

Date: December 10, 2013

Parties:

- (a) The Vendor;
- (b) The Company; and
- (c) The Placing Agents.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, Morgan Stanley and its ultimate beneficial owners are third parties independent and not connected persons (as defined in the Listing Rules) of the Company.

For further information in relation to CES, please see the section headed “Implications under the Listing Rules”.

(1) THE PLACING OF THE SALE SHARES

The Vendor is a controlling shareholder (as defined in the Listing Rules) of the Company. As at the date of this announcement and prior to completion of the Placing and the Subscription, the Vendor holds 1,758,215,910 Shares (representing approximately 43.37% of the issued share capital of the Company).

Pursuant to the Placing and Subscription Agreement, the Vendor has agreed to appoint the Placing Agents as its placing agents and to sell the Sales Shares, and (a) Morgan Stanley has agreed to act as a placing agent of the Vendor to procure purchasers for, or failing which, to purchase itself, the Morgan Stanley Sale Shares (being 387,000,000 Shares) at the Placing Price (being HK\$8.52 per Share); (b) CES has agreed to act as a placing agent of the Vendor to procure purchasers, on a best efforts basis, to purchase the CES Sale Shares (being 43,000,000 Shares) at the Placing Price (being HK\$8.52 per Share).

Placees

It is expected that there will be no fewer than 6 Placees, who and whose ultimate beneficial owners will not be connected persons of the Company. It is not expected that any Placee will become a substantial shareholder (as defined under the Listing Rules) of the Company immediately after the Placing.

Placing Price

The Placing Price is HK\$8.52 per Share (exclusive of stamp duty, brokerage, Stock Exchange trading fees and SFC transaction levies). The Placing Price represents:

- (i) a discount of approximately 4.38% to the closing price of HK\$8.91 per Share as quoted on the Stock Exchange on December 9, 2013, as the last trading day before entering into the Placing and Subscription Agreement; and
- (ii) a discount of approximately 1.87% to the average closing price of HK\$8.682 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including December 9, 2013.

The Placing Price was determined with reference to the prevailing market price of the Shares and was negotiated on an arm's length basis between the Company and the Placing Agents and determined in accordance with the terms of the Placing and Subscription Agreement as at the date of the Placing and Subscription Agreement. The Directors consider that the terms of the Placing are fair and reasonable based on the current market conditions and in the interests of the Company and the shareholders of the Company as a whole.

Number of the Sale Shares

The Sale Shares (being 430,000,000 Shares) represent (i) approximately 10.61% of the existing issued share capital of the Company of 4,053,711,700 Shares as at the date of this announcement, and (ii) approximately 9.59% of the issued share capital of the Company of 4,483,711,700 Shares as enlarged by the Subscription. The aggregate nominal value of the Sale Shares is HK\$43,000,000.

Ranking of the Sale Shares

The Sale Shares rank *pari passu* among themselves and with all of the Shares in issue as at the date of this announcement.

Rights

The Sale Shares will be sold free and clear of all liens, charges and encumbrances and together with all rights attaching to them as at the Closing Date, including the right to receive all dividends declared, made or paid on or after the Closing Date.

Conditions of the Placing of the Sale Shares

The Placing is conditional on certain termination events below, upon the occurrence of which the Placing will not proceed to completion unless otherwise waived by the Placing Agents.

Termination Events

The Placing Agents may terminate the Placing and Subscription Agreement without liability to the Vendor and/or the Company by giving notice in writing if any of the following has occurred prior to completion of the Placing:

- (i) there develops, occurs or comes into force:
 - (a) any new law or regulation or any change or a prospective change in existing laws or regulations which in the sole opinion of the Placing Agents makes it impracticable or inadvisable or inexpedient to proceed with the Placing or has or is likely to have a material adverse effect on the financial position, business, results of operation or prospects of the Group as a whole; or
 - (b) any significant event, development or change or prospective change (whether or not permanent or forming part of a series of event, developments or changes occurring or continuing before, on and/or after the date of the Placing and Subscription Agreement) in local, national or international economic, financial, fiscal, industrial, regulatory, political or military conditions, securities market conditions or currency exchange rates or exchange controls, including without limitation, any outbreak or escalation of hostilities, declaration by the United States, the PRC or Hong Kong of a national emergency or other calamity or crisis, the effect of which in the sole opinion of the Placing Agents is or would be materially adverse to the success of the Placing, or makes it impracticable or inadvisable or inexpedient to proceed therewith; or
 - (c) the declaration of a banking moratorium by United States, the PRC or Hong Kong authorities, or any moratorium, suspension or material restriction on trading in shares or securities generally, or the establishment of minimum prices, on the Stock Exchange, the Shanghai Stock Exchange, the New York Stock Exchange; or
 - (d) any suspension of dealings in the Shares for any period whatsoever (other than as a result of the Placing and/or the publication of this announcement).

- (ii) any breach of any of the representations, warranties and undertakings by the Vendor and/or the Company set out in the Placing and Subscription Agreement comes to the knowledge of the Placing Agents or any event occurs or any matter arises on or after the date of the Placing and Subscription Agreement and prior to the Closing Date which if it had occurred or arisen before the date of the Placing and Subscription Agreement would have rendered any of such representations, warranties and undertakings untrue or incorrect or there has been a breach of, or failure to perform, any other provision of the Placing and Subscription Agreement on the part of the Vendor and/or the Company; or
- (iii) any change or any development involving a prospective change in the general affairs, prospects, earnings, business, properties, stockholders' equity or in the financial or trading position of the Group as a whole which in the sole opinion of the Placing Agents is so material and adverse as to make it impractical or inadvisable to proceed with the Placing.

Completion

The Placing is expected to be completed on December 13, 2013 or such other date as the Vendor and the Placing Agents may agree in writing.

(2) THE SUBSCRIPTION

Pursuant to the Placing and Subscription Agreement, the Subscriber has agreed to subscribe as principal for the Subscription Shares at the Subscription Price.

The Subscription Price

The Subscription Price is HK\$8.52 per Share, which is the same as the Placing Price.

Number of the Subscription Shares

The number of the Subscription Shares is the same as the number of the Sale Shares.

Ranking of the Subscription Shares

The Subscription Shares, when issued and fully paid, will rank *pari passu* among themselves and with all of the Shares in issue as at the date of completion of the Subscription, including the rights to all dividends and other distributions declared, made or paid at any time after the day on which the Subscription Shares are allotted.

Conditions of the Subscription

Completion of the Subscription is conditional upon the fulfilment of the following conditions:

- (i) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Subscription Shares (and such listing and permission not subsequently revoked prior to the delivery of definitive share certificate(s) representing the Subscription Shares);
- (ii) completion of the Placing having occurred pursuant to the terms of the Placing and Subscription Agreement; and
- (iii) the confirmation/waiver by the SFC that the Placing and the Subscription will not trigger a change of control requiring a mandatory general offer to be made pursuant to Rule 26 of the Hong Kong Code on Takeovers and Mergers.

If the conditions of the Subscription are not fulfilled within 14 days after the date of the Placing and Subscription Agreement or such later date as the Subscriber and the Company may agree in writing (subject to compliance with the Listing Rules), the obligations and liabilities of the Subscriber and the Company under the Subscription will become null and void.

Completion

Completion of the Subscription will take place on the second Business Day after the date upon which the last of the subscription conditions (set out above) to be satisfied has been so satisfied, provided that it will take place on a date no later than 14 days after the date of the Placing and Subscription Agreement or such other date as the Subscriber and the Company may agree in writing and subject to compliance with the Listing Rules.

General Mandate to Issue the Subscription Shares

The Subscription Shares will be issued under the General Mandate to allot, issue and deal with Shares granted to the Directors by resolution of the shareholders of the Company passed at the AGM subject to the limit up to 20% of the then issued share capital of the Company as at the date of the AGM. Under the General Mandate, the Company is authorized to issue up to 808,242,340 Shares. Up to the date of this announcement, no Share has been issued under the General Mandate. Following the completion of the Subscription, a total of 430,000,000 Shares will be allotted and issued, representing approximately 53.2% of the 808,242,340 Shares granted under the General Mandate.

(3) SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company (i) as at the date of this announcement, (ii) immediately after completion of the Placing, and (iii) immediately after completion of the Placing and the Subscription:

Name of Shareholder	Shareholding as at the date of this announcement		Shareholding immediately after completion of the Placing		Shareholding immediately after completion of the Placing and the Subscription	
	% of		% of		% of	
	Number of Shares	shareholding (approximate)	Number of Shares	shareholding (approximate)	Number of Shares	shareholding (approximate)
Vendor and Parties acting in concert (<i>Note 1</i>)	1,853,951,910	45.73	1,423,951,910	35.12	1,853,951,910	41.35
Public (excluding Placees)	2,199,759,790	54.27	2,199,759,790	54.27	2,199,759,790	49.06
Placees	Nil	Nil	430,000,000	10.61	430,000,000	9.59
TOTAL	4,053,711,700	100	4,053,711,700	100	4,483,711,700	100

Notes:

- (1) 1,758,215,910 Shares are held by the Vendor, a company 55% owned by Datten Investments Limited, which is a wholly-owned subsidiary of CEHCL and 45% owned by CEHCL; and 95,736,000 Shares are held by Everbright Investment & Management Limited, a wholly-owned subsidiary of CEHCL.

(4) LOCK UP UNDERTAKINGS

Pursuant to the Placing and Subscription Agreement, the Vendor has undertaken to the Placing Agents that (except for the sale of the Sale Shares pursuant to the Placing and Subscription Agreement) for a period of 180 days commencing from the Closing Date, it will not and will procure that none of its nominees and companies controlled by it and trusts associated with it (whether individually or together and whether directly or indirectly) will:

- (i) offer, lend, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares (including, the Subscription Shares) or any interests therein beneficially owned or held by it or any securities convertible into or exercisable or exchangeable for or substantially similar to any such Shares or interests; or
- (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of such Shares, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise; or
- (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above, unless with the prior written consent of the Placing Agents.

Pursuant to the Placing and Subscription Agreement, the Company has undertaken to the Placing Agents, and the Vendor undertakes to the Placing Agents to procure, that for a period of 180 days commencing on the Closing Date, the Company will not, except for the Subscription Shares:

- (i) allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests in Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to any Shares or interest in Shares; or
- (ii) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transactions described in (i) above; or

(iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above without first having obtained the written consent of the Placing Agents.

(5) REASONS FOR THE PLACING OF THE SALE SHARES AND THE SUBSCRIPTION AND USE OF PROCEEDS

The Directors consider that the placing of the Sale Shares and the Subscription represent an opportunity to raise capital for the Company while broadening the shareholder base and capital base of the Company. Further, the Directors are also of the view that the trading volume of the Shares may be enhanced with a broader shareholder base and more floating Shares and eventually the trading price can better reflect the value of the Company. Accordingly, the Directors consider the placing of Sale Shares and the Subscription are in the interests of the Company and the shareholders of the Company as a whole.

The net proceeds (after deducting all applicable costs and expenses, including commission, legal fees, stamp duty and levies) of approximately HK\$3,617 million (being a net placing price of approximately HK\$8.41 per Share) from the Subscription is intended to be used for the development of the environmental protection business and general working capital of the Group.

(6) FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any fund raising activities in the past twelve months before the date of this announcement.

(7) IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, CEHCL, a controlling shareholder of the Company, indirectly held an aggregate of 1,853,951,910 Shares, representing approximately 45.73% of the entire issued share capital of the Company. CES is an associate of CEHCL and is therefore a connected person of the Company under the Listing Rules. The transaction between the Company and CES under the Placing and Subscription Agreement is therefore a connected transaction of the Company under Chapter 14A of the Listing Rules.

Assuming that the CES Sale Shares are fully placed, pursuant to the Placing and Subscription Agreement, subject to the completion of the Subscription and the Placing, CES will receive a placing commission of approximately HK\$4,282,800, to be deducted from the proceeds of the Placing. As the relevant percentage ratios in respect of the placing commission to be paid to CES in connection with the Placing under the Placing and Subscription Agreement pursuant to Rule 14.07 of the Listing Rules is more than 0.1% but less than 5%, the transaction between the Company and CES under the Placing and Subscription Agreement is subject to the reporting and announcement requirements but is exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Directors (including the independent non-executive Directors) consider the terms of the Placing Agreement, including the placing commission to be paid to CES under the Placing, are on normal commercial terms and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

(8) APPLICATION FOR LISTING

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in the Subscription Shares.

(9) RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been halted from 1:27 p.m. on Tuesday, December 10, 2013 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange from 9:00 a.m. on Wednesday, December 11, 2013.

TERMS AND DEFINITIONS

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

“AGM”	the annual general meeting of the Company held on April 26, 2013;
“Board”	the board of Directors of the Company;

“Business Day”	any day (excluding a Saturday or Sunday or public holiday) on which banks are generally open for business in Hong Kong;
“CEHCL”	China Everbright Holdings Company Limited;
“CES”	China Everbright Securities (HK) Limited;
“CES Sale Shares”	43,000,000 Shares, representing 10% of the Sale Shares to be sold by the Vendor under the Placing and Subscription Agreement;
“Closing Date”	December 13, 2013 or such other date as the Vendor and the Placing Agents may agree in writing;
“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”	the directors of the Company;
“General Mandate”	the mandate granted to the Directors by the shareholders of the Company at the AGM to allot, issue and deal with up to 20% of the then issued share capital of the Company as at the date of the AGM;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, 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 of Hong Kong Limited;

“Morgan Stanley”	Morgan Stanley & Co. International plc., and, in so far as Morgan Stanley, in performing its functions under the Placing and Subscription Agreement, is “dealing in securities” as defined in Schedule 5 of the SFO, through its agent Morgan Stanley Asia Limited and only in circumstances such that none of the sub-provisions (I), (II), (III), (IV) and (V) in sub-paragraph (iv) to the definition of “dealing in securities” in Part 2 of Schedule 5 of the SFO are applicable;
“Morgan Stanley Sale Shares”	387,000,000 Shares, representing 90% of the Sale Shares to be sold by the Vendor under the Placing and Subscription Agreement;
“Placee(s)”	any professional institutional and other investor whom the Placing Agents have procured to purchase any of the Sale Shares;
“Placing”	the placing of the Sale Shares on the terms and subject to the conditions set out in the Placing and Subscription Agreement;
“Placing Agents”	Morgan Stanley and CES, each a “Placing Agent”;
“Placing and Subscription Agreement”	the agreement dated December 10, 2013 entered into between the Vendor, the Company and the Placing Agents in relation to the Placing and the Subscription;
“Placing Price”	HK\$8.52 per Share, as determined in accordance to the terms of the Placing and Subscription Agreement;
“Sale Shares”	430,000,000 Shares, all beneficially owned by the Vendor as at the date of this announcement, to be sold pursuant to the Placing and Subscription Agreement;
“SFC”	The Securities and Futures Commission;
“Share(s)”	the ordinary issued shares of HK\$0.10 each of the Company;

“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscriber”	Guildford Limited, a company duly incorporated under the laws of British Virgin Islands;
“Subscription”	the subscription by the Vendor of the Subscription Shares on and subject to the terms and conditions set out in the Placing and Subscription Agreement;
“Subscription Price”	HK\$8.52 per Share, which is the same as the Placing Price;
“Subscription Shares”	430,000,000 new Shares to be issued by the Company to the Vendor, which is equal to the total number of the Sale Shares;
“Vendor”	the Subscriber; and
“%”	per cent.

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

Hong Kong, December 11, 2013

As at the date of this announcement, the Board is composed of 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

Independent non-executive Directors

Mr. FAN Yan Hok, Philip
Mr. MAR Selwyn
Mr. LI Kwok Sing, Aubrey
Mr. ZHAI Haitao