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If you have sold or transferred all your shares in China Everbright Limited, you should at once hand this circular to the purchaser or to the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.



CHINA EVERBRIGHT LIMITED

中國光大控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 165)

DISCLOSEABLE TRANSACTION

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	
Introduction	3
Principal Terms of the Sale and Purchase Agreement	4
About Nanjing Gear	6
Reasons for the Acquisition	6
General	7
Appendix – General Information	8

DEFINITIONS

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

“associates”	shall have the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“CEAM”	China Everbright Assets Management Limited, a wholly-owned subsidiary of the Company, a limited company incorporated under the laws of Hong Kong and licensed by Securities and Futures Commission of Hong Kong to carry on asset management business
“CEH”	China Everbright Holdings Company Limited, the controlling shareholder of the Company, a company incorporated in Hong Kong
“CELVC”	CEL Venture Capital (Shenzhen) Limited, an indirect wholly-owned subsidiary of the Company, a limited company established under the laws of the PRC
“Company”	China Everbright Limited, a company incorporated in Hong Kong which shares are listed on the Stock Exchange
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	20 December 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
“Nanjing Gear”	南京高精齒輪有限公司 (Nanjing High Precision Gear Train Company Limited), a limited liability company established under the laws of PRC
“PRC”	the People’s Republic of China

DEFINITIONS

“Sale and Purchase Agreement”	the sale and purchase agreement executed on 28th November 2005 the principal terms of which are set out in paragraph 1 of the Letter from the Board in this Circular
“SAML”	SeaBright Asset Management Limited, a non-wholly-owned subsidiary of the Company in which the Company is holding 65% interest, a limited company incorporated under the laws of Hong Kong and licensed by Securities and Futures Commission of Hong Kong to carry on the asset management business
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SOF”	SeaBright China Special Opportunities (I) Limited, a closed-ended investment company incorporated under the laws of the British Virgin Islands; the commitments by investors in the company amount to US\$50 million, of which the Company has committed US\$39.45 million and the rest is committed by 15 other third parties, whose commitments vary between US\$50,000 to US\$1,003,000, of such 15 parties, 5 of them are the shareholders of Seagate Global Advisors, LLC which is the 35% shareholder of SAML and the remaining are independent third parties
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the same meaning as in section 2 of the Companies Ordinance, Chapter 32 of the Laws of Hong Kong
“HK\$” or “HK cents”	Hong Kong dollars and cents respectively

LETTER FROM THE BOARD



CHINA EVERBRIGHT LIMITED

中國光大控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 165)

Executive Directors:

Wang Mingquan (*Chairman*)
Guo You
Zhou Liqun (*Chief Executive Officer*)
He Ling (*Deputy General Manager*)
Chen Shuang (*Deputy General Manager*)
Xu Haoming

Registered Office:

Room 4001, 40th Floor
Far East Finance Centre
16 Harcourt Road
Hong Kong

Non-executive Directors:

* Ng Ming Wah, Charles
* Tung Wai, David
* Seto Gin Chung, John
* Lin Zhijun

* *Independent non-executive directors*

23 December 2005

To the shareholders

Dear Sirs,

DISCLOSEABLE TRANSACTION

INTRODUCTION

With the announcement dated 2 December 2005, the Directors had informed the shareholders and the public that SOF has entered into a Sale and Purchase Agreement with the Vendor whereby subject to certain conditions having been satisfied, SOF will acquire the NGC Interest at a total consideration of US\$5,000,000.

The transaction constitutes a discloseable transaction under the Listing Rules. The purpose of this circular is to provide you with further information in relation to the terms of the transaction.

LETTER FROM THE BOARD

1. PRINCIPAL TERMS OF THE SALE AND PURCHASE AGREEMENT

Date of Signing of Agreement: 28 November 2005

Parties: (1) Vendor: Luen Xin, a limited liability company established in the PRC. The principal business of Luen Xin is investment holding. Prior to the Transaction, Luen Xin was holding about 36.8% equity interest in Nanjing Gear. After the completion of the Transaction, Luen Xin would be holding about 30.2% equity interest in Nanjing Gear.

The Directors confirm that to the best of their knowledge, information and belief having made all reasonable enquiries, Luen Xin and its beneficial owners are independent third parties not connected with the Company, any of the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates (as defined in the Listing Rules) and are not connected persons of the Company.

(2) The Purchaser: SOF

Assets Agreed to be Acquired by SOF: 6.54% of the existing equity interest in Nanjing Gear (“**NGC Interest**”).

Consideration: The consideration for the acquisition is US\$5,000,000 (the “**Consideration**”) and will be satisfied by SOF by way of cash payment from internal resources.

The Consideration shall be paid by two instalments: the first instalment of US\$750,000 shall be payable within 7 working days after the signing of the Sale and Purchase Agreement; and the second instalment, US\$4,250,000 shall be payable within 7 working days after the completion of the Reorganization. The Consideration will be paid into an account held in the name of SOF (the “**Account**”) but jointly managed by SOF and the Vendor. The proceeds in the Account will be released to the Vendor upon completion of the Reorganization.

LETTER FROM THE BOARD

The Consideration is arrived at by the parties through arm's length negotiation between SOF and Luen Xin with reference to the net profits of Nanjing Gear according to its latest unaudited accounts prepared according to international accounting standards. The Directors consider the Consideration to be fair and reasonable and in the best interests of the Company and its shareholders as a whole.

Reorganization: For the purpose of this Transaction, "Reorganization" means the steps taken or to be taken and/or arrangements made or to be made with the objective of preparing for the listing of the equity interest of Nanjing Gear on a recognized stock exchange which has yet to be confirmed; this process is in a preliminary stage and the steps or arrangements have yet to be finalized;

Conditions: The completion of the Transaction shall be conditional upon:

- i) the signing of all other agreements and documents incidental to this Agreement;
- ii) the compliance with the requirements and regulations of the relevant regulatory authorities;
- iii) the Vendor obtaining shareholders approval at its shareholders meeting in relation to the matters contemplated under this Agreement;
- iv) the unanimous written approval of the shareholders of Nanjing Gear at shareholders meeting in relation to the matters contemplated under this Agreement, and a waiver letter from the other shareholders confirming the waiving of any rights and restriction attaching to the NGC Interest (including but not limited to the pre-emption rights);
- v) the Company having complied with the requirements of the relevant regulatory authorities (including the Stock Exchange and the SFC) and the Listing Rules.

Long Stop Date: If the conditions are not satisfied or the Reorganization is not completed by 28 February 2006, unless the parties agree otherwise, the Agreement shall be terminated and the Consideration shall be refunded to SOF in full within 2 days after SOF serving a notice to that effect on Luen Xin.

LETTER FROM THE BOARD

2. ABOUT NANJING GEAR

Nanjing Gear is a limited liability company established in the PRC. Its principal business includes the design and manufacture of high precision gear trains for power generation and heavy engineering works. According to the unaudited financial statements of Nanjing Gear as at 31 December 2004 prepared according to international accounting standards (following figures are quoted on the same accounting standards), the net asset value of Nanjing Gear was RMB195,307,733. Its current share capital is RMB101,530,000.

For the two financial years immediately preceding the transaction, the net profits before and after taxation and the net asset value of Nanjing Gear are approximately as follows:

	Year ended 31.12.2004 <i>(RMB'000)</i>	Year ended 31.12.2003 <i>(RMB'000)</i>
Profit before taxation	84,143	38,561
Taxation credited/charged	<u>(4,404)</u>	<u>(1,012)</u>
Profit attributable to shareholders	79,739	37,549
Net Asset Value	<u>195,308</u>	<u>97,966</u>

On completion of the Transaction, the NGC Interest will be considered as an investment held by the Group and as such, the accounts of Nanjing Gear will not be consolidated into the financial statements of the Group.

3. REASONS FOR THE ACQUISITION

The Company is building its asset management business, in particular through CEAM and CELVC. By an investment management and advisory agreement dated 31 August 2004, CEAM, acts as an investment advisor to SAML. SAML is the investment manager of SOF. CEAM has engaged CELVC as its PRC consultant to provide consultancy services in relation to investment projects in which SOF may invest from time to time. SOF is the first closed ended investment fund advised by CEAM and focusing on direct investment in enterprises having their principal business operations in China. SOF has the objective of seeking medium-term to long-term capital appreciation through investments of capital in Chinese enterprises. SOF considers that investment in Nanjing Gear as an opportunity to achieve the aforesaid objectives.

The Directors consider the terms and conditions of the Sale and Purchase Agreement to be fair and reasonable and it is in the interest of the Company and its shareholders as a whole for SOF to acquire the NGC Interest.

LETTER FROM THE BOARD

4. GENERAL

The Company, through its subsidiaries and associates is principally engaged in the provision of financial services businesses. Such businesses mainly include investment banking, commercial banking and insurance.

Your attention is drawn to the general information contained in the Appendix to this circular.

Yours faithfully,
By order of the Board
Wang Mingquan
Chairman

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries that, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES OF THE COMPANY

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

1. Long position in shares of the Company

Name of Director	Total	Personal interests	Family interests	Corporate interests	% of total issued shares (If 0.01% or more)
Guo You	1,000,000	1,000,000	–	–	0.06
He Ling	320,000	320,000	–	–	0.02
Ng Ming Wah, Charles	100,000	100,000	–	–	–

2. Long position in underlying shares of equity derivatives of the Company

Name of Director	Nature of interest	Exercise price (HK\$)	Date of Grant	Exercise Period	Number of underlying shares (ordinary shares)	Total	Total percentage
Wang Mingquan	Personal	4.360	26.06.02	27.06.03-26.12.05	6,000,000	10,920,000	0.70
	Personal	2.375	07.07.03	08.07.04-07.01.07	3,000,000		
	Personal	2.850	03.05.05	04.05.06-03.05.10	1,920,000		
Guo You	Personal	4.360	26.06.02	27.06.03-26.12.05	2,000,000	3,390,000	0.22
	Personal	2.375	07.07.03	08.07.04-07.01.07	750,000		
	Personal	2.850	03.05.05	04.05.06-03.05.10	640,000		

APPENDIX

GENERAL INFORMATION

Name of Director	Nature of interest	Exercise price (HK\$)	Date of Grant	Exercise Period	Number of underlying shares (ordinary shares)	Total	Total percentage
Zhou Liqun	Personal	4.360	26.06.02	27.06.03-26.12.05	1,500,000	4,170,000	0.27
	Personal	2.375	07.07.03	08.07.04-07.01.07	750,000		
	Personal	2.850	03.05.05	04.05.06-03.05.10	1,920,000		
He Ling	Personal	4.360	26.06.02	27.06.03-26.12.05	1,500,000	3,530,000	0.23
	Personal	2.375	07.07.03	08.07.04-07.01.07	750,000		
	Personal	2.850	03.05.05	04.05.06-03.05.10	1,280,000		
Chen Shuang	Personal	3.225	03.09.04	04.09.05-03.03.08	750,000	2,030,000	0.13
	Personal	2.850	03.05.05	04.05.06-03.05.10	1,280,000		
Ng Ming Wah, Charles	Personal	2.375	07.07.03	08.07.04-07.01.07	50,000	50,000	0.003
Tung Wai, David	Personal	4.360	26.06.02	27.06.03-26.12.05	300,000	1,090,000	0.07
	Personal	2.375	07.07.03	08.07.04-07.01.07	150,000		
	Personal	3.000	05.05.05	06.05.06-05.05.10	640,000		
Seto Gin Chung, John	Personal	2.375	07.07.03	08.07.04-07.01.07	150,000	790,000	0.05
	Personal	3.000	05.05.05	06.05.06-05.05.10	640,000		

3. Long position in underlying shares of equity derivatives of China Everbright International Limited (“CEIL”), an associated corporation (within the meaning of Part XV of the SFO) of the Company.

Name of Director	Nature of interest	Exercise price (HK\$)	Date of Grant	Exercise period	Number of underlying shares of CEIL (ordinary shares)	Total percentage
Wang Mingquan	Personal	0.296	29.09.03	29.03.04-25.05.13	25,400,000	0.995
Chen Shuang	Personal	0.296	29.09.03	29.03.04-25.05.13	4,000,000	0.157

All the above shares and underlying shares of equity derivatives were beneficially owned by the Directors concerned. The percentage shown was calculated based on the number of issued shares as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, according to the register of interests kept by the Company under section 336 of the SFO and so far as was known to the Directors and chief executive of the Company, the following persons, other than a Director or chief executive of the Company, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long Position

Name of shareholder	No. of shares beneficially held	% of total issued shares
China Everbright Holdings Company Limited (<i>Note</i>)	867,119,207	55.41
Datten Investments Limited (<i>Note</i>)	867,119,207	55.41
Honorich Holdings Limited	867,119,207	55.41

Note: Honorich Holdings Limited (“Honorich”) is wholly-owned by Datten Investments Limited (“Datten”) which in turn is a wholly-owned subsidiary of China Everbright Holdings Company Limited (“Holdings”). Accordingly, Datten and Holdings are deemed to have the same interests in the shares of the Company as Honorich.

Save as disclosed above, according to the register of interests kept by the Company under section 336 of the SFO and so far as was known to the Directors and chief executive of the Company, as at the Latest Practicable Date, no person, other than a Director or chief executive of the Company, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital.

SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation) with the Company or its subsidiaries.

LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and, so far as the Directors are aware, no litigation or claim of material importance is pending or threatened against the Company or any of its subsidiaries.

COMPETING INTEREST

As at the Latest Practicable Date, insofar as the Directors are aware, none of the directors or their respective associates (as defined in the Listing Rules) have any interest in a business which competes or is likely to compete with the business of the Group.

MISCELLANEOUS

The secretary of the Company is Mr. Ip Kun Wan, Kiril who is a practising solicitor.

The registered office of the Company is Room 4001, 40th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

The qualified accountant of the Company is Mr. Tang Chi Chun Richard, FCCA, CPA. He is a fellow member of the Association of Chartered Certified Accountants in the U.K. and a member of the Hong Kong Institute of Certified Public Accountants.

The share registrar of the Company is Secretaries Limited, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.