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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in doubt** as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **Everbright Grand China Assets Limited**, you should at once hand this circular and the enclosed proxy form to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**EVERBRIGHT GRAND CHINA ASSETS LIMITED**  
**光大永年有限公司**

*(Incorporated in the British Virgin Islands with limited liability and  
transferred by way of continuation into the Cayman Islands)*

**(Stock code: 3699)**

**DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTION:  
DEPOSIT SERVICE FRAMEWORK AGREEMENT  
AND  
CONTINUING CONNECTED TRANSACTION:  
LOAN SERVICE FRAMEWORK AGREEMENT  
AND  
CONTINUING CONNECTED TRANSACTION:  
LEASE FRAMEWORK AGREEMENT  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT BOARD COMMITTEE  
AND THE INDEPENDENT SHAREHOLDERS**



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A notice convening the EGM to be held at Drawing Room, M/F, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Monday, 30 December 2019 at 2:30 p.m. is set out on pages 51 to 53 of this circular, and the proxy form for use are enclosed herewith and also published on both the websites of the Stock Exchange (<http://www.hkexnews.com.hk>) and the Company ([www.ebgca.com.hk](http://www.ebgca.com.hk)).

Whether or not you intend to attend the EGM, please complete and sign the enclosed proxy form in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM (i.e. not later than 2:30 p.m. on Saturday, 28 December 2019) or the adjourned meeting (as the case may be). Completion and delivery of the proxy form will not preclude you from attending and voting in person at the EGM.

10 December 2019

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## CONTENTS

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	<i>Page</i>
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM THE BOARD</b> .....	5
<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE</b> .....	23
<b>LETTER FROM GRAM CAPITAL</b> .....	25
<b>APPENDIX — GENERAL INFORMATION</b> .....	46
<b>NOTICE OF EGM</b> .....	51

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## DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“CE Bank”	China Everbright Bank Co., Ltd. (中國光大銀行股份有限公司), a company established in the PRC, whose shares are listed on the Stock Exchange (stock code: 06818) and the Shanghai Stock Exchange (stock code: 601818), and a subsidiary of China Everbright due to consolidation of its financial statements into those of China Everbright and is therefore a connected person 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 a wholly-owned subsidiary of China Everbright
“China Everbright”	China Everbright Group Limited (中國光大集團股份公司), a joint stock company established in the PRC with limited liability, and a controlling shareholder of the Company
“Company”	Everbright Grand China Assets Limited (光大永年有限公司), a company incorporated in the British Virgin Islands with limited liability and transferred by way of continuation into the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 03699)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Deposit Agreements”	the deposit agreements to be entered into between members of the Group and CE Bank as contemplated under the Deposit Service Framework Agreement

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## DEFINITIONS

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“Deposit Service Framework Agreement”	the deposit service framework agreement entered into by China Everbright and the Company on 7 November 2019 in respect of the provision of Deposit Services to the Group
“Deposit Services”	deposit services provided by CE Bank
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held at Drawing Room, M/F, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Monday, 30 December 2019 at 2:30 p.m. to consider and, if thought fit, to approve the resolutions contained in the notice of the meeting which is set out on pages 51 to 53 of this circular
“Everbright Group”	China Everbright and its subsidiaries and associates (other than the Group)
“Existing Deposit Service Framework Agreement”	the deposit service framework agreement entered into between China Everbright and the Company on 10 August 2017 in respect of the provision of the Deposit Services to the Group, details of which has been disclosed in the Prospectus
“Existing Lease Agreements”	the lease agreements entered into between the Brighter Win Limited (a subsidiary of the Company) and CE Bank and Everbright Securities Company Limited (subsidiaries of China Everbright), respectively, details of which has been disclosed in the Prospectus
“Existing Loan Service Framework Agreement”	the loan service framework agreement entered into between CE Bank, Hong Kong branch and the Company on 18 December 2017 in respect of the provision of the Loan Services to the Group, details of which has been disclosed in the Prospectus (as supplemented by the supplemental loan service framework agreement entered into between the same parties on 17 December 2018)

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## DEFINITIONS

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“Framework Agreements”	the Deposit Service Framework Agreement, the Loan Service Framework Agreement and the Lease Framework Agreement
“Group”	the Company and its subsidiaries and associates
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Company, the members of which consist of all the independent non-executive Directors, formed to advise the Independent Shareholders with respect to the Framework Agreements and their respective proposed annual caps
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders
“Independent Shareholders”	Shareholders who are not required to abstain from voting at the EGM
“Latest Practicable Date”	4 December 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Lease Agreements”	the lease agreements to be entered into between members of the Group and members of Everbright Group as contemplated under the Lease Framework Agreement
“Lease Framework Agreement”	the lease framework agreement entered into by China Everbright and the Company on 7 November 2019 in respect of the leasing of the Premises
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

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## DEFINITIONS

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“Loan Service Framework Agreement”	the loan service framework agreement entered into by China Everbright and the Company on 7 November 2019 in respect of the provision of Loan Services to the Group
“Loan Services”	loan, financing and/or other lending facility services provided by CE Bank
“Loan Agreements”	the loan agreements to be entered into between members of the Group and CE Bank as contemplated under the Loan Service Framework Agreement
“PBOC”	People’s Bank of China (中國人民銀行)
“PRC” or “China”	the People’s Republic of China but excluding, for the purposes of this circular, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Premises”	premises owned by the Group
“Prospectus”	the prospectus of the Company dated 29 December 2017
“RMB” or “Renminbi”	the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the share(s) in the share capital of the Company with nominal value of US\$0.1 each
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	the lawful currency of the United States
“%”	per cent.

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LETTER FROM THE BOARD

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**EVERBRIGHT GRAND CHINA ASSETS LIMITED**  
**光大永年有限公司**

*(Incorporated in the British Virgin Islands with limited liability and  
transferred by way of continuation into the Cayman Islands)*  
**(Stock code: 3699)**

*Executive Directors:*

Mr. LIU Jia (*Chairman*)  
Mr. LIN Zimin

*Non-executive Directors:*

Ms. TSE Hang Mui  
Mr. LI Yinzhong

*Independent non-executive Directors:*

Mr. TSOI David  
Mr. SHEK Lai Him Abraham  
Mr. LEE Jor Hung  
Ms. YU Pauline Wah Ling

*Registered address:*

PO Box 309, Uglund House  
Grand Cayman, KY1-1104  
Cayman Islands

*Head Office and Place of business  
in Hong Kong:*

Room 1302, 13th Floor  
Bank of East Asia Harbour View Centre  
56 Gloucester Road  
Wanchai  
Hong Kong

10 December 2019

*To the Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTION:  
DEPOSIT SERVICE FRAMEWORK AGREEMENT  
AND  
CONTINUING CONNECTED TRANSACTION:  
LOAN SERVICE FRAMEWORK AGREEMENT  
AND  
CONTINUING CONNECTED TRANSACTION:  
LEASE FRAMEWORK AGREEMENT  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**I. INTRODUCTION**

Reference is made to the section headed “Connected Transactions” in the Prospectus in relation to certain continuing connected transactions, including the Existing Deposit Service Framework Agreement, the Existing Loan Service Framework Agreement and the Existing Lease

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## LETTER FROM THE BOARD

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Agreements (collectively, the “**Existing Framework Agreements**”), which will expire on 31 December 2019 (except for one lease agreement entered into between Brighter Win Limited, a subsidiary of the Group, and Everbright Securities Company Limited, a subsidiary of China Everbright, that will expire on 30 April 2021).

Reference is also made to the announcement of the Company dated 7 November 2019. After considering the future needs of the Group and to better regulate the existing and future continuing connected transactions between the Group and Everbright Group, the Company and China Everbright entered into (i) the Deposit Service Framework Agreement for a term of three years commencing from 1 January 2020 and ending on 31 December 2022; (ii) the Loan Service Framework Agreement for a term of five years commencing from 1 January 2020 and ending on 31 December 2024; and (iii) the Lease Framework Agreement for a term of ten years commencing from 1 January 2020 and ending on 31 December 2029.

The purpose of this circular is to provide you with, among other things, (i) details of the continuing connected transactions in relation to the Framework Agreements; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of, among other things, the Framework Agreements and their proposed annual caps; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of, among other things, the Framework Agreements and their proposed annual caps; (iv) other information as required under the Listing Rules; and (v) the notice convening the EGM.

## II. CONTINUING CONNECTED TRANSACTIONS

### 1. Deposit Service Framework Agreement

Pursuant to the Existing Deposit Service Framework Agreement, China Everbright shall procure CE Bank to provide the Deposit Services to the Group. As the Deposit Service Framework Agreement and its annual caps will expire on 31 December 2019 and in order to better regulate the provision of the Deposit Services, the Company and China Everbright entered into the Deposit Service Framework Agreement on 7 November 2019 in respect of the Deposit Services procured by the members of the Group from CE Bank.

The Deposit Service Framework Agreement is conditional upon the Independent Shareholders’ approval at the EGM having been obtained.

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## LETTER FROM THE BOARD

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The summary of the principal terms of the Deposit Service Framework Agreement is set forth below:

- Date:** 7 November 2019
- Parties:** (i) the Company; and  
(ii) China Everbright.
- Description of the transactions:** China Everbright shall procure CE Bank to provide the Deposit Services to members of the Group for a term of three years from 1 January 2020 to 31 December 2022. The Deposit Service Framework Agreement shall be non-exclusive, and the Group is at liberty to obtain deposit services from other third parties.
- The relevant parties shall enter into separate Deposit Agreements to set out the specific provisions of the Deposit Services, and the terms and conditions of the Deposit Agreements shall be determined by the relevant parties in accordance with the terms of the Deposit Service Framework Agreement.
- The term of each of the Deposit Agreements shall not exceed the term of the Deposit Service Framework Agreement.
- Pricing policy:** The interest rates payable by CE Bank to the Group in respect of the Deposit Services shall:
- (i) be determined based on arm's length negotiations between CE Bank and the Group with reference to the prevailing interest rate for similar deposit services which can be obtained by the Group from independent third parties and on normal commercial terms;
  - (ii) not be lower than the interest rates to be paid by independent third parties; and
  - (iii) be in compliance with the rules and regulations prescribed by the PBOC and/or other relevant rules and regulations within or outside the PRC.

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## LETTER FROM THE BOARD

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### *Historical figures and existing annual caps*

The following table sets out the historical figures and the existing annual caps under the Existing Deposit Service Framework Agreement:

	For the year ended 31 December				Historical amount for the six months ended 30 June 2019	Existing annual cap for the year ending 31 December 2019
	2017 Historical amount (RMB'000)	2017 Existing annual cap (RMB'000)	2018 Historical amount (RMB'000)	2018 Existing annual cap (RMB'000)	(RMB'000) (Unaudited)	(RMB'000)
Maximum daily balance of deposits (including interests accrued thereon) placed by the Group with CE Bank	28,939	63,000	47,257	63,000	45,421	63,000

### *Proposed annual caps*

The following table sets out the proposed annual caps for the transactions to be contemplated under the Deposit Service Framework Agreement:

	For the year ending 31 December		
	2020 (RMB'000)	2021 (RMB'000)	2022 (RMB'000)
Maximum daily balance of deposits (including interests accrued thereon) to be placed by the Group with CE Bank	53,000	53,000	53,000

The above proposed annual caps have been determined after taking into consideration of the following factors, among other things:

- (1) the historical transaction amount of the Deposit Services under the Existing Deposit Service Framework Agreement; and

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## LETTER FROM THE BOARD

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- (2) the Group is considering to diversify the banks or financial institutions for cash deposits for the purpose of risk management of its capital. Furthermore, the Deposit Services will be obtained by the Group on a voluntary and non-exclusive basis. There is no restriction under the Deposit Service Framework Agreement on the Group's ability to obtain deposit services from other banks or financial institutions, and the Group is at its sole discretion to make its selection according to the relevant interest rates and quality of services being delivered by other banks or financial institutions.

### *Reasons and benefits for the transactions*

CE Bank has been providing the Deposit Services to the Group prior to the listing of the Company on the Stock Exchange, which has developed a deep understanding of the capital needs and business model of the Group. In view of the stability and reliability of the Deposit Services in previous years, the Directors believe that CE Bank is well-positioned to serve the financial needs of the Group, and it is expected that it will be cost-efficient, expedient and beneficial for the Group to use the Deposit Services.

Moreover, the Group will receive interests on the Deposit Services at interest rates which are no less favourable than those offered by any independent third party for comparable deposits. This arrangement allows the Group to achieve a more efficient use of its current capital.

In addition, CE Bank is regulated by the China Banking and Insurance Regulatory Commission and the Hong Kong Monetary Authority and is subject to the rules and requirements of such regulatory authorities, which will reduce risks to the Group in receiving the Deposit Services.

Given the transactions to be contemplated under the Deposit Service Framework Agreement are in the ordinary and usual course of business of the Company and are under normal commercial terms, the Directors (including the independent non-executive Directors) are of the view that the terms of the Deposit Service Framework Agreement and its proposed annual caps are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## **2. Loan Service Framework Agreement**

Pursuant to the Existing Loan Service Framework Agreement, CE Bank, Hong Kong Branch shall provide the Loan Services to the Group. After considering the actual need of the Group within and outside the PRC, and in order to better regulate the provision of the Loan Services, the Company and China Everbright entered into the Loan Service Framework Agreement on 7 November 2019 to set out the terms and conditions of the Loan Services.

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## LETTER FROM THE BOARD

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The Loan Service Framework Agreement is conditional upon the Independent Shareholders' approval at the EGM having been obtained.

The summary of the principal terms of the Loan Service Framework Agreement is set forth below:

- Date:** 7 November 2019
- Parties:** (i) the Company; and  
(ii) China Everbright.
- Description of the transactions:** China Everbright shall procure CE Bank to provide the Loan Services to members of the Group for a term of five years from 1 January 2020 to 31 December 2024. The Loan Service Framework Agreement shall be non-exclusive, and the Group is at liberty to obtain loan services from other third parties.

The relevant parties shall enter into separate Loan Agreements to set out the specific provisions of the Loan Services, and the terms and conditions of the Loan Agreements shall be determined by the parties in accordance with the terms of the Loan Service Framework Agreement.

The term of each of the Loan Agreements shall not exceed the term of the Loan Service Framework Agreement.

Subject to the terms and conditions of the Loan Agreements, security over the Group's assets or rental income received from its leasing business may be required for the Loan Services.

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## LETTER FROM THE BOARD

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**Pricing policy:**

The interest rate payable by the Group to CE Bank in respect of the Loan Services shall:

- (i) be determined based on arm's length negotiations between CE Bank and the Group with reference to the prevailing interest rate for similar loan services which can be obtained by the Group from independent third parties and on normal commercial terms;
- (ii) not be higher than the interest rates to be charged by other independent third parties; and
- (iii) be in compliance with the rules and regulations prescribed by the PBOC and/or other relevant rules and regulations within or outside the PRC.

***Historical figures and existing annual caps***

The following table sets out the historical figures and the existing annual caps under the Existing Loan Service Framework Agreement:

	For the year ended 31 December				Historical amount for the six months ended 30 June 2019	Existing annual cap for the year ending 31 December 2019
	2017	2017	2018	2018	(HKD'000)	(HKD'000)
	Historical amount (HKD'000)	Existing annual cap (HKD'000)	Historical amount (HKD'000)	Existing annual cap (HKD'000)		
Maximum daily balance of loans provided by CE Bank to the Group	Nil	300,000	Nil	300,000	Nil	300,000

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## LETTER FROM THE BOARD

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### *Proposed annual caps*

The following table sets out the proposed annual caps for the transactions to be contemplated under the Loan Service Framework Agreement:

	For the year ending 31 December				
	2020	2021	2022	2023	2024
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Maximum daily balance of loans to be provided by CE Bank to the Group	350,000	350,000	350,000	350,000	350,000

The above proposed annual caps have been determined after taking into consideration of the following factors, among other things:

- (1) as disclosed in the Prospectus, the Group intended to expand its property portfolio by acquiring certain properties such as commercial buildings and offices in London, the United Kingdom. The Group has been conducting market research and liaising with property agents for acquiring such properties that fit the Group's selection criteria or development strategies. As the potential acquisition is subject to further negotiation and the landlord's willingness to sell, it had not been materialised as at the Latest Practicable Date. Although the Group had not utilised the Loan Services under the Existing Loan Service Framework Agreement to acquire properties in the United Kingdom as at the Latest Practicable Date, the Group has been looking for investment opportunities in commercial properties that are of similar scale and grading as compared to the Premises currently owned by the Group in 2020 and 2021 to further broaden its property portfolio within and outside the PRC, such as the southwest region in the PRC, including Kunming, Yunnan province and Chengdu, Sichuan province. With reference to the market value of the Premises as at 30 June 2019, the purchase prices of the potential acquisitions may range from approximately RMB190 million to RMB360 million, which are anticipated to be financed by internal resources and the Loan Services; and
- (2) the expected increase in the amount of loans required by the Group to complement the growth in its future business operations.

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## LETTER FROM THE BOARD

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### *Reasons and benefits for the transactions*

The Directors believe that CE Bank is well-positioned to serve the financial needs of the Group because CE Bank has a thorough understanding of the operations and development needs of the Group, and the Group will only be required to pay interests on the Loan Services at rates which are no less favourable than those offered by any independent third party for comparable loans. Therefore, it is expected that the transactions contemplated under the Loan Service Framework Agreement would be cost-efficient, expedient and beneficial for the Group.

In addition, CE Bank is regulated by the China Banking and Insurance Regulatory Commission and the Hong Kong Monetary Authority and is subject to the rules and requirements of such regulatory authorities, which will reduce risks to the Group in receiving the Loan Services from CE Bank.

The Directors are of the view that it is reasonable for the term of the Loan Service Framework Agreement to be longer than three years because it is the market practice to enter into long-term loans for more than three years to finance acquisitions of sizeable commercial properties.

Please refer to the letter from the Independent Financial Adviser set out on pages 25 to 45 of this circular for advice from the Independent Financial Adviser in relation to its view on the length of the Loan Service Framework Agreement.

Given the transactions to be contemplated under the Loan Service Framework Agreement are in the ordinary and usual course of business of the Company and are under normal commercial terms, the Directors (including the independent non-executive Directors) are of the view that the terms of the Loan Service Framework Agreement and its proposed annual caps are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

### **3. Lease Framework Agreement**

Pursuant to the Existing Lease Framework Agreement, the Group shall lease the Premises to members of Everbright Group. After taking into account that in the course of the Group's daily operation, the Group leases and will continue to lease the Premises to members of Everbright Group, and in order to better regulate such transactions, the Company and China Everbright entered into the Lease Framework Agreement on 7 November 2019 in respect of the leases between members of the Group and members of Everbright Group.

The Lease Framework Agreement is conditional upon the Independent Shareholders' approval at the EGM having been obtained.

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## LETTER FROM THE BOARD

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The summary of the principal terms of the Lease Framework Agreement is set forth below:

**Date:** 7 November 2019

**Parties:** (i) the Company; and  
(ii) China Everbright.

**Description of the transactions:** The Company shall lease and procure members of the Group to lease the Premises to Everbright Group, and China Everbright shall lease and procure members of Everbright Group to lease the Premises from the Group during the ten-year period from 1 January 2020 to 31 December 2029. The Lease Framework Agreement shall be non-exclusive, and the Group is at liberty to lease the Premises to other third parties.

The relevant parties shall enter into separate Lease Agreements to set out the specific provisions of the leasing of the Premises, and the terms and conditions of the Lease Agreements shall be determined by the parties in accordance with the terms of the Lease Framework Agreement.

The term of each of the Lease Agreements shall not exceed the term of the Lease Framework Agreement.

**Pricing policy:** The rents and other fees payable by Everbright Group to the Group under the Lease Agreements shall:

- (i) be determined based on arm's length negotiations between Everbright Group and the Group with reference to the prevailing market rents in the places where the Premises are located;
- (ii) not be lower than the rents and other fees to be paid by independent third parties; and
- (iii) be in compliance with the rules and regulations prescribed by the relevant rules and regulations within or outside the PRC.

## LETTER FROM THE BOARD

### *Historical figures and existing annual caps*

The following table sets out the historical figures and the existing annual caps under the Existing Lease Agreements:

	For the year ended 31 December				Historical	Existing
	2017	2017	2018	2018	amount	annual
	Historical	Existing	Historical	Existing	for the	cap for
	amount	annual cap	amount	annual cap	six months	the year
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	ended 30	ended 31
					June 2019	December
					(RMB'000)	2019
					(Unaudited)	(RMB'000)
Aggregate rental income (including rents and other fees) received by the Group from Everbright Group	6,177	7,000	6,289	7,000	3,271	7,000

### *Proposed annual caps*

The following table sets out the proposed annual caps for the transactions to be contemplated under the Lease Framework Agreement:

	For the year ending 31 December									
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Aggregate rental income (including rents and other fees) to be received by the Group from Everbright Group	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000

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## LETTER FROM THE BOARD

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The above proposed annual caps have been determined after taking into consideration of the following factors, among other things:

- (1) the historical aggregate rental income (including rents and other fees) received by the Group from Everbright Group for the years ended 31 December 2017 and 2018 amounted to approximately RMB6.2 million and RMB6.3 million, respectively, representing approximately 88.2% and 90.0% of the annual cap of RMB7.0 million for the respective year under the Existing Lease Agreements, indicating that the annual caps had been nearly fully utilised;
- (2) it is expected that the Group will generate more rental income from Everbright Group because (i) there has been an increasing demand from Everbright Group for office space in the Premises located at Kunming, Yunnan province in the PRC and new leases may be entered into between the Group and Everbright Group for leasing the Premises located at Chengdu, Sichuan province in the PRC in 2020 and 2021; and (ii) the Group may lease additional Premises (that are currently leased to other tenants) to Everbright Group when their leases expire in the coming years; and
- (3) the potential increase in market rental for commercial properties in the PRC in the coming years, as supported by the increase in the range of rents per square metre for the leased Premises from approximately RMB25.56 to RMB73.46 in 2016 to approximately RMB29.78 to RMB79.52 in 2018.

### *Reasons and benefits for the transactions*

The Group is principally engaged in the businesses of property leasing. As at the Latest Practicable Date, the Premises included three commercial buildings, which are located in Kunming, Yunnan province and Chengdu, Sichuan province in the PRC. On the other hand, members of Everbright Group require office space in these areas to operate their businesses. Moreover, it is beneficial to the Group to lease the Premises to members of Everbright Group at prevailing market rates. As such, the Directors are of the view that the leasing of the Premises to members of Everbright Group is in line with the Group's leasing business.

The Directors are of the view that it is reasonable for the term of the Lease Framework Agreement to be longer than three years having considered the following reasons:

- (1) it is the market practice to enter into long-term leases for leasing commercial properties in the PRC;

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## LETTER FROM THE BOARD

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- (2) the Group previously entered into lease arrangements (with tenure ranging from 2 to 20 years) for leasing the Premises to independent third parties and members of Everbright Group in the PRC;
- (3) it will provide the Group with stable rental income without interruption to its business operations because the Group can lease the Premises to Everbright Group for a longer period, thus reducing the Group's burden to identify new tenants after expiration of leases; and
- (4) the Group may generate more rental income from its leasing business in the long run through leasing additional Premises to Everbright Group and in anticipation of the potential increase in market rental for commercial properties in the PRC. In addition, as the Group has provided property management services to Everbright Group in connection with the leasing of the Premises, it can strengthen the Group's experience in property management, which allows the Group to better serve other tenants. As such, the long-term cooperation with Everbright Group, which is engaged in a diverse range of businesses and has a leading position in the market, will facilitate the continual growth of the leasing business of the Group.

Please refer to the letter from the Independent Financial Adviser set out on pages 25 to 45 of this circular for advice from the Independent Financial Adviser in relation to its view on the length of the Lease Framework Agreement.

Given the transactions to be contemplated under the Lease Framework Agreement are in the ordinary and usual course of business of the Company and are under normal commercial terms, the Directors (including the independent non-executive Directors) are of the view that the terms of the Lease Framework Agreement and its proposed annual caps are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

#### **4. Internal Control Measures**

In order to ensure that the pricing policy in each of the Framework Agreements is adhered to, the Group has the following internal control procedures and policies:

- (i) the finance department of the Company shall be responsible for reviewing the pricing terms of the Deposit Services and the Loan Services by obtaining quotations from CE Bank and at least two other independent banks for rates of deposits or loans of an equivalent amount and for the equivalent period, and will only use the Deposit Services or the Loan Services if the terms quoted by CE Bank are no less favourable than the terms quoted by such two other independent banks;

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## LETTER FROM THE BOARD

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- (ii) the finance department of the Company shall also be responsible for monitoring and collecting on a regular basis (i) the actual maximum daily balance of deposits to be placed by the Group with CE Bank pursuant to the Deposit Service Framework Agreement and the Deposit Agreements, and (ii) the actual maximum daily balance of loans to be provided by CE Bank to the Group pursuant to the Loan Service Framework Agreement and the Loan Agreements, so to ensure that the maximum daily balance will not exceed the proposed annual caps for each financial year;
- (iii) the leasing department of the Company shall be responsible for reviewing the pricing terms of the Lease Agreements by comparing the terms between members of Everbright Group and at least two other independent third parties for leasing the relevant Premises for the equivalent period, and will only lease the Premises if the terms offered by Everbright Group are no less favourable than the terms quoted by such two other independent third parties;
- (iv) the finance department of the Company shall be responsible for monitoring and collecting the actual transaction amounts under the Lease Agreements on a regular basis so to ensure that the aggregate rental income (including rents and other fees) received by the Group from Everbright Group will not exceed the proposed annual cap for each financial year. The Company will set an alert amount when the amount is about to reach the annual cap, in case that the aggregate rental income (including rents and other fees) is expected to exceed such annual cap, so that the Company could timely re-comply with the requirements under Chapter 14A of the Listing Rules;
- (v) the internal control department and relevant personnel of the Company shall monitor and ensure all transactions contemplated under the Framework Agreements are entered into on normal commercial terms or better, are fair and reasonable, and are carried out pursuant to the terms of the Framework Agreements;
- (vi) the independent non-executive Directors will review the transactions to be entered into pursuant to the Framework Agreements in order to ensure all such transactions are entered into on normal commercial terms or better, on terms that are fair and reasonable and in the interests of the Shareholders as a whole, and are carried out in accordance with the terms of the Framework Agreements; and
- (vii) the auditor of the Company will conduct an annual review on the pricing and annual caps of the continuing connected transactions to be entered into pursuant to the Framework Agreements.

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## LETTER FROM THE BOARD

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### **5. Information of the Company, China Everbright and CE Bank**

The Company is an investment holding company principally engaged in property leasing, property management and sales of properties held for sale. As at the Latest Practicable Date, the Premises included three commercial buildings, which are located in Chengdu, Sichuan province and Kunming, Yunnan province in the PRC. The Group's property management services include general property management services, value-added property management services and parking management services.

China Everbright is a state-owned enterprise established on 8 December 2014 after the restructuring from China Everbright (Group) Corporation, with its registered capital mainly contributed by the Ministry of Finance of the PRC and Central Huijin Investment Ltd. China Everbright is a financial conglomerate mainly engaged in investment and management operations of banks, securities companies, insurance companies and other financial institutions.

CE Bank is a subsidiary of China Everbright due to consolidation of its financial statements into those of China Everbright. CE Bank 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.

### **6. Implications under the Listing Rules**

China Everbright is the holder of 100% of the issued share capital of CE Hong Kong, which in turn directly holds approximately 99.997% shares in Capital Century Company Limited (0.3% of which is held on trust for the National Administrative Bureau of Stated Owned Property) and indirectly holds 0.003% shares in Capital Century Company Limited through China Everbright Holdings (Nominee) Limited. Capital Century Company Limited indirectly held 331,000,000 Shares (representing approximately 74.99% of the issued Shares) through Lucky Link Investments Limited and Top Charm Investments Limited as at the Latest Practicable Date. Accordingly, China Everbright is a controlling shareholder of the Company, and thus China Everbright and its associates (other than the Group) are connected persons of the Company. As such, the transactions contemplated under the Framework Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (other than profits ratio) (as defined under the Rule 14.07 of the Listing Rules) in respect of the respective annual caps of the transactions to be contemplated under each of the Framework Agreements exceed 5%, the transactions to be contemplated thereunder are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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## LETTER FROM THE BOARD

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Furthermore, as one of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the provision of the Deposit Services exceeds 5%, but are all less than 25%, the provision of the Deposit Services also constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Directors has any material interest in the transactions contemplated under the Framework Agreements. However, for good corporate governance, Mr. Liu Jia (an executive Director), who is also a director of certain subsidiaries of Everbright Group, has voluntarily abstained from voting on the relevant Board resolutions approving the Framework Agreements.

As China Everbright and its associates have material interests in the transactions to be contemplated under each of the Framework Agreements, China Everbright and its associates will be required to abstain from voting at the EGM with respect to the ordinary resolutions in connection with the Framework Agreements and their proposed annual caps.

### **7. Independent Board Committee**

The Independent Board Committee has been formed by the Company to consider, and to advise the Independent Shareholders on the terms of the Framework Agreements and their proposed annual caps.

Gram Capital has been appointed as the Independent Financial Adviser to make recommendations to the Independent Board Committee and the Independent Shareholders on the terms of the Framework Agreements and their proposed annual caps. A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 23 to 24 of this circular. The letter from the Independent Board Committee to the Independent Shareholders contains its recommendation on the Framework Agreements and their proposed annual caps. Having considered the appropriate internal control measures in place and the pricing policies with respect to the Framework Agreements, the methods and procedures established by the Company to ensure the strict compliance with the pricing policies and that the transactions contemplated thereunder Framework Agreements will be conducted in the ordinary and usual course of business and on normal commercial terms, the independent non-executive Directors are of the view that the Framework Agreements and their proposed annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### **8. Independent Financial Adviser**

Gram Capital has been appointed as the Independent Financial Adviser for providing advice to the Independent Board Committee and the Independent Shareholders on whether the terms of Framework Agreements and their proposed annual caps are fair and reasonable, and whether they are in the interests of the Company and the Shareholders as a whole. In addition, pursuant to Rule 14A.52 of the Listing Rules, as the terms of the Loan Service Framework Agreement and the Lease Framework Agreement exceed three years, Gram Capital shall advise the reasons for the Loan Service Framework Agreement and the Lease Framework Agreement to have terms exceeding three years and to confirm that it is a normal business practice for agreements of these types to be of such duration. A letter from Gram Capital to the Independent Board Committee and the Independent Shareholders is set out on pages 25 to 45 of this circular. The letter from Gram Capital to the Independent Board Committee and the Independent Shareholders contains factors they have considered and their recommendations on the Framework Agreements and their proposed annual caps.

### **III. EGM**

The notice convening the EGM is set out on pages 51 to 53 of this circular. At the EGM, ordinary resolutions will be proposed to approve, among other things, the entering of the Framework Agreements and their proposed annual caps.

A proxy form for use at the EGM is enclosed with this circular. Whether or not you intend to attend the EGM, you are requested to complete and return the proxy form in accordance with the instructions printed thereon to the Company's branch share register in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM (i.e. not later than 2:30 p.m. on Saturday, 28 December 2019) or the adjourned meeting (as the case may be). Completion and delivery of the proxy form will not preclude you from attending and voting at the EGM or any adjournment thereof should you so wish.

For determining the entitlement to attend and vote at the EGM, the Register of Members of the Company will be closed from Monday, 23 December 2019 to Monday, 30 December 2019 (both days inclusive), during which period no transfer of Shares will be registered. Shareholders whose names appear on the Register of Members of the Company on Monday, 23 December 2019 will be entitled to attend and vote at the EGM.

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## LETTER FROM THE BOARD

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### IV. RECOMMENDATION

The Directors (including the independent non-executive Directors whose recommendation is contained in the Letter from the Independent Board Committee of this circular) are of the view that transactions to be conducted under the Framework Agreements are within the ordinary and usual course of business of the Company, and the terms of the Framework Agreements and their proposed annual caps are fair and reasonable and are on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends that the Independent Shareholders vote in favour of the Framework Agreements, their proposed annual caps and the ordinary resolutions of the transactions contemplated under the Framework Agreements to be proposed at the EGM.

### V. OTHER INFORMATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 23 and 24 of this circular which contains its recommendation to the Independent Shareholders on the Framework Agreements and their proposed annual caps; and (ii) the letter from the Independent Financial Adviser set out on pages 25 to 45 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Framework Agreements and their proposed annual caps and the principal factors and reasons considered by Gram Capital in arriving at its advice.

Your attention is also drawn to the other information set out in the appendix to this circular.

Yours faithfully,  
By and on behalf of the Board  
**Everbright Grand China Assets Limited**  
**LIU Jia**  
*Chairman*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Framework Agreements:*



### EVERBRIGHT GRAND CHINA ASSETS LIMITED 光大永年有限公司

*(Incorporated in the British Virgin Islands with limited liability and  
transferred by way of continuation into the Cayman Islands)*

**(Stock code: 3699)**

10 December 2019

*To the Independent Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTION:  
DEPOSIT SERVICE FRAMEWORK AGREEMENT  
AND  
CONTINUING CONNECTED TRANSACTION:  
LOAN SERVICE FRAMEWORK AGREEMENT  
AND  
CONTINUING CONNECTED TRANSACTION:  
LEASE FRAMEWORK AGREEMENT  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

We refer to the circular of the Company (the “**Circular**”) dated 10 December 2019 of which this letter forms part. Terms defined in the Circular have the same meanings when used in this letter unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the terms of the Framework Agreements and their proposed annual caps, and to give recommendation to the Independent Shareholders as to whether, in our opinion, the terms of the Framework Agreements and their proposed annual caps are fair and reasonable and on normal commercial terms so far as the Independent Shareholders are concerned and whether the Framework Agreements and their proposed annual caps are in the interests of the Company and its

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Shareholders as a whole. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Framework Agreements and their proposed annual caps.

We wish to draw your attention to the letter from the Board set out in the section of Letter from the Board in the Circular which contains, among other things, information about the Framework Agreements and their proposed annual caps, and the letter of advice from Gram Capital set out in the section of Letter from Gram Capital in the Circular which contains its advice in respect of the terms of the Framework Agreements and their proposed annual caps.

Having taken into account the advice from Gram Capital, we consider that the terms of the Framework Agreements and their proposed annual caps are fair and reasonable on normal commercial terms and in the ordinary and usual course of business of the Company so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve Framework Agreements, their proposed annual caps and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of

**Independent Board Committee**

**TSOI David**

**SHEK Lai Him**

**LEE Jor Hung**

**YU Pauline Wah**

**Abraham**

**Ling**

*Independent*

*Independent*

*Independent*

*Independent*

*non-executive Director non-executive Director non-executive Director non-executive Director*

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## LETTER FROM GRAM CAPITAL

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*The following is the text of a letter of advice from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Framework Agreements and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.*



Room 1209, 12/F.  
Nan Fung Tower  
88 Connaught Road Central/  
173 Des Voeux Road Central  
Hong Kong

10 December 2019

*To: The independent board committee and the independent shareholders of Everbright Grand China Assets Limited*

Dear Sirs,

**(I) DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTION:  
DEPOSIT SERVICE FRAMEWORK AGREEMENT;  
(II) CONTINUING CONNECTED TRANSACTION:  
LOAN SERVICE FRAMEWORK AGREEMENT;  
AND  
(III) CONTINUING CONNECTED TRANSACTION:  
LEASE FRAMEWORK AGREEMENT**

### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Deposit Services, the Loan Services and the leasing of the Premises (the “**Lease(s)**”, and together with the Deposit Services and the Loan Services, the “**CCTs**”) as contemplated under the Framework Agreements, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 10 December 2019 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 7 November 2019, the Company and China Everbright entered into (i) the Deposit Service Framework Agreement for a term of three years commencing from 1 January 2020 and ending on 31 December 2022; (ii) the Loan Service Framework Agreement for a term of five years

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## LETTER FROM GRAM CAPITAL

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commencing from 1 January 2020 and ending on 31 December 2024; and (iii) the Lease Framework Agreement for a term of ten years commencing from 1 January 2020 and ending on 31 December 2029.

With reference to the Board Letter, the transactions contemplated under the Framework Agreements constitute continuing connected transactions of the Company and are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. In addition, the Deposit Services also constitutes discloseable transactions of the Company.

The Independent Board Committee comprising Mr. Tsoi David, Mr. Shek Lai Him Abraham, Mr. Lee Jor Hung, Ms. Yu Pauline Wah Ling (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Framework Agreements and their proposed annual caps are fair and reasonable and on normal commercial terms; and (ii) whether the Framework Agreements and their proposed annual caps are in the interests of the Company and its Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve the Framework Agreements and transactions contemplated thereunder at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

### **INDEPENDENCE**

As at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Company during the past two years immediately preceding the Latest Practicable Date, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

### **BASIS OF OUR OPINION**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth,

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## LETTER FROM GRAM CAPITAL

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accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the CCTs. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiry, confirm that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters omitted which would make any statement therein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, China Everbright or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the CCTs. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

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## LETTER FROM GRAM CAPITAL

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Framework Agreements, we have taken into consideration the following principal factors and reasons:

#### 1. Background of and reasons for the CCTs

##### *Business overview of the Group*

With reference to the Board Letter, the Company is an investment holding company principally engaged in property leasing, property management and sales of properties held for sale. The Group's property management services include general property management services, value-added property management services and parking management services.

Set out below is a summary of the consolidated financial information of the Group for the two years ended 31 December 2018 as extracted from the Company's annual report for the year ended 31 December 2018 (the "**2018 Annual Report**") and the six months ended 30 June 2019 as extracted from the Company's interim report for the six months ended 30 June 2019 (the "**2019 Interim Report**"):

	<b>For the six months ended 30 June 2019</b>	<b>For the year ended 31 December 2018</b>	<b>For the year ended 31 December 2017</b>	<b>Change from 2017 to 2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	%
	(unaudited)	(audited)	(audited)	
Revenue	37,772	61,742	66,657	(7.37)
— <i>Provision of property management services</i>	7,635	18,272	20,446	(10.63)
— <i>Sales of properties held for sale</i>	10,140	Nil	6,699	N/A
— <i>Gross rentals from investment properties</i>	19,997	43,470	39,512	10.02
Gross profit	20,927	46,289	50,568	(8.46)
Profit attributable to equity shareholders of the Company	18,744	36,554	24,266	50.64

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## LETTER FROM GRAM CAPITAL

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	As at 30 June 2019	As at 31 December 2018	As at 31 December 2017	Change from 2017 to 2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	%
	(unaudited)	(audited)	(audited)	
Cash and cash equivalents	184,103	181,311	42,435	327.27

As illustrated in the above table, the Group's revenue amounted to approximately RMB61.74 million for the year ended 31 December 2018 (“FY2018”), representing a decrease of approximately 7.37% as compared with that for the year ended 31 December 2017 (“FY2017”). With reference to the 2018 Annual Report, such decrease was mainly due to the absence of non-recurring revenue from sales of residential properties in FY2018. The Group recorded profit of approximately RMB36.55 million for FY2018, representing an increase of approximately 50.64% as compared with that for FY2017. With reference to the 2018 Annual Report, such increase was mainly due to the increase in revenue from property leasing and valuation gains on investment properties.

As at 30 June 2019, the Group had cash and cash equivalents of approximately RMB184.10 million.

With reference to the 2019 Interim Report, to sustain higher occupancy rate along with stable recurring income, the Group will continue to adopt leasing strategies with great efficiency and be cautiously optimistic towards the market outlook. In order to ensure the advantages of property management business, the Group will strive to uphold a steady relationship with its existing clients, customer-oriented, actively enhance the service quality, and expand new businesses to increase future potential growth. The Group will also prolong the adoption of a strong alliance policy with China Everbright for synergistic effect to search for excellent investment projects in the PRC. The Group will adhere to the positioning of investment in commercial properties with the purpose of optimizing its own asset structure and quality, explore potential overseas investment, including the London, United Kingdom, to maintain an equilibrium between domestic and foreign investments so as to intensify corporate competitiveness. Looking forward, the Group will strive to further broaden its property portfolio through acquisition of properties with a net initial yield and stable commercial leasing.

### ***Information of China Everbright and CE Bank***

With reference to the Board Letter, China Everbright is a state-owned enterprise established on 8 December 2014 after the restructuring from China Everbright (Group) Corporation, with its registered capital mainly contributed by the Ministry of Finance of the PRC and Central Huijin

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## LETTER FROM GRAM CAPITAL

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Investment Ltd. China Everbright is a financial conglomerate mainly engaged in investment and management operations of banks, securities companies, insurance companies and other financial institutions.

With reference to the Board Letter, CE Bank is a subsidiary of China Everbright. CE Bank 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.

### *Reasons for and benefits of the CCTs*

#### *Deposit Services*

With reference to the Board Letter, CE Bank has been providing the Deposit Services to the Group prior to the listing of the Company on the Stock Exchange, which has developed a deep understanding of the capital needs and business model of the Group. In view of the stability and reliability of the Deposit Services in previous years, the Directors believe that CE Bank is well-positioned to serve the financial needs of the Group, and it is expected that it will be cost-efficient, expedient and beneficial for the Group to use the Deposit Services.

Moreover, the Group will receive interests on the Deposit Services at interest rates which are no less favourable than those offered by any independent third party for comparable deposits. This arrangement allows the Group to achieve a more efficient use of its current capital.

In addition, CE Bank is regulated by the China Banking and Insurance Regulatory Commission and the Hong Kong Monetary Authority and is subject to the rules and requirements of such regulatory authorities, which will reduce risks to the Group in receiving the Deposit Services.

#### *Loan Services*

With reference to the Board Letter, the Directors believe that CE Bank is well-positioned to serve the financial needs of the Group because CE Bank has a thorough understanding of the operations and development needs of the Group, and the Group will only be required to pay interests on the Loan Services at rates which are no less favourable than those offered by any independent third party for comparable loans. Therefore, it is expected that the transactions contemplated under the Loan Service Framework Agreement would be cost-efficient, expedient and beneficial for the Group.

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## LETTER FROM GRAM CAPITAL

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In addition, CE Bank is regulated by the China Banking and Insurance Regulatory Commission and the Hong Kong Monetary Authority and is subject to the rules and requirements of such regulatory authorities, which will reduce risks to the Group in receiving the Loan Services from CE Bank.

The Directors are of the view that it is reasonable for the term of the Loan Service Framework Agreement to be longer than three years because it is the market practice to enter into long-term loans for more than three years to finance acquisitions of sizeable commercial properties.

### *Lease*

With reference to the Board Letter, the Group is principally engaged in the businesses of property leasing. On the other hand, members of Everbright Group require office space to operate their businesses. Moreover, it is beneficial to the Group to lease the Premises to members of Everbright Group at prevailing market rates. As such, the Directors are of the view that the leasing of the Premises to members of Everbright Group is in line with the Group's leasing business.

The Directors are of the view that it is reasonable for the term of the Lease Framework Agreement to be longer than three years having considered the following reasons: (i) it is the market practice to enter into long-term leases for leasing commercial properties in the PRC; (ii) the Group previously entered into lease arrangements (with tenure ranging from 2 to 20 years) for leasing the Premises to independent third parties and members of Everbright Group in the PRC; (iii) it will provide the Group with stable rental income without interruption to its business operations because the Group can lease the Premises to Everbright Group for a longer period, thus reducing the Group's burden to identify new tenants after expiration of leases; and (iv) the long-term cooperation with Everbright Group, which is engaged in a diverse range of businesses and has a leading position in the market, will facilitate the continual growth of the leasing business of the Group.

Having considered (i) that the Deposits Services and the Loan Services are required for the Group's business operation; (ii) the Lease is conducted under the Group's principal business; and (iii) the reasons for and benefits of the CCTs as set out above, we concur with the Directors' view that the CCTs are in the interests of the Company and the Shareholders as a whole and are conducted under the ordinary and usual course of business of the Group.

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## LETTER FROM GRAM CAPITAL

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### 2. Principal terms of the Framework Agreements

#### *Deposit Services Framework Agreement*

Principal terms of the Deposit Services Framework Agreement are set out below:

**Date:** 7 November 2019

**Parties:** (i) the Company; and

(ii) China Everbright.

**Description of  
the transactions:**

China Everbright shall procure CE Bank to provide the Deposit Services to members of the Group for a term of three years from 1 January 2020 to 31 December 2022. The Deposit Service Framework Agreement shall be non-exclusive, and the Group is at liberty to obtain deposit services from other third parties.

The relevant parties shall enter into separate Deposit Agreements to set out the specific provisions of the Deposit Services, and the terms and conditions of the Deposit Agreements shall be determined by the relevant parties in accordance with the terms of the Deposit Service Framework Agreement.

The term of each of the Deposit Agreements shall not exceed the term of the Deposit Service Framework Agreement.

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## LETTER FROM GRAM CAPITAL

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**Pricing policy:**

The interest rates payable by CE Bank to the Group in respect of the Deposit Services shall:

- (i) be determined based on arm's length negotiations between CE Bank and the Group with reference to the prevailing interest rate for similar deposit services which can be obtained by the Group from independent third parties and on normal commercial terms;
- (ii) not be lower than the interest rates to be paid by independent third parties; and
- (iii) be in compliance with the rules and regulations prescribed by the PBOC and/or other relevant rules and regulations within or outside the PRC.

For our due diligence purpose, we obtained lists of deposit balances (i.e. HK\$ and RMB) regarding deposit placed by the Group with CE Bank (the “**Connected Deposit Balance(s)**”) for FY2018 and the six months ended 30 June 2019 (the “**Deposit Lists**”). We randomly selected two Connected Deposit Balances from each of the Deposit Lists in FY2018 (being the first year when the Company is listed on the Stock Exchange), one Connected Deposit Balance from each of the Deposit Lists for the six months ended 30 June 2019 and the Company provided us the deposit records on the selected Connected Deposit Balance, together with a comparable deposit record relating to deposit placed by the Group with independent bank, for each of the selected Connected Deposit Balance. We noted from the aforesaid documents that the interest rates of the Group's deposits placed with CE Bank were not lower than the interest rates of the Group's deposits placed with independent banks.

With reference to the 2018 Annual Report and as confirmed by the Directors, the independent non-executive Directors have reviewed, amongst others, the Deposit Services for FY2018 and confirmed that the transactions have been entered into by the Group (i) in the ordinary and usual course of its business; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available from independent third parties; and (iii) in accordance with the terms of the agreements governing such transactions that are fair and reasonable and in the interests of the Company's shareholders as a whole (the “**INED Confirmation**”).

With reference to the 2018 Annual Report and as confirmed by the Directors, pursuant to Rule 14A.56 of the Listing Rules, the Company's auditors were engaged to report on, amongst others, the Deposit Services for FY2018 (the “**Auditors Report**”) in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits

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## LETTER FROM GRAM CAPITAL

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or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The Company’s auditors have not qualified its report in respect of the Deposit Services.

In order to ensure that the pricing policy in each of the Framework Agreements is adhered to, the Group has the internal control procedures and policies as set out under the section headed “4. Internal Control Measures” of the Board Letter (the “**IC Procedures & Policies**”).

We consider that the effective implementation of the IC Procedures & Policies would help to ensure fair determination of the interest rates for the Deposit Services.

For our due diligence purpose, we obtained a set of documents (including quotations from CE Bank and other independent banks, internal report prepared based on the said quotations and deposit record) regarding a deposit transaction placed by the Group with CE Bank. Nothing came to our attention that caused us to believe that the interest rate determination under the aforementioned documents was not complied with the pricing policies of the Deposit Services.

### *Annual caps of Deposit Services (the “Deposit Cap(s)”)*

The historical figures and existing annual caps of the Deposit Services for the three years ending 31 December 2019 are set out as follows:

	<b>For the year ended 31 December 2017 RMB’000</b>	<b>For the year ended 31 December 2018 RMB’000</b>	<b>For the year ending 31 December 2019 RMB’000</b>
Maximum daily balance of deposits (including interests accrued thereon) placed by the Group with CE Bank	28,939	47,257	45,421 ( <i>Note</i> )
Existing annual caps	63,000	63,000	63,000
Utilisation rate (%)	45.93	75.01	Not determined yet

*Note:* Historical amount for the six months ended 30 June 2019.

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## LETTER FROM GRAM CAPITAL

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The proposed annual caps of the Deposit Services are set out as follows:

	<b>For the year ending 31 December 2020 RMB'000</b>	<b>For the year ending 31 December 2021 RMB'000</b>	<b>For the year ending 31 December 2022 RMB'000</b>
Maximum daily balance of deposits (including interests accrued thereon) to be placed by the Group with CE Bank	53,000	53,000	53,000

We noted that the Deposit Caps are determined with reference to the factors set out under the section headed “1. Deposit Services Framework Agreement — Proposed annual caps” of the Board Letter.

With reference to the 2019 Interim Report, the Group’s cash and cash equivalents amounted to approximately RMB181.31 million as at 31 December 2018 and approximately RMB184.10 million as at 30 June 2019. Nevertheless, the Deposit Caps for the two years ending 31 December 2019 were not fully utilised. Having considered that the Group is considering to diversify the banks or financial institutions for cash deposits for the purpose of risk management of its capital, it is reasonable for the Company to set the Deposit Caps for the three years ending 31 December 2022 at a lower level, being RMB53 million (which is comparable to the maximum daily balance of deposits (including interests accrued thereon) placed by the Group with CE Bank for FY2018 and the six months ended 30 June 2019).

Accordingly, we consider the Deposit Caps for the three years ending 31 December 2022 to be fair and reasonable.

In light of the above, we consider that the terms of the Deposit Services (including the Deposit Caps) are on normal commercial terms and are fair and reasonable.

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## LETTER FROM GRAM CAPITAL

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### *Loan Service Framework Agreement*

Principal terms of the Loan Service Framework Agreement are set out below:

**Date:** 7 November 2019

**Parties:** (i) the Company; and  
(ii) China Everbright.

**Description of the transactions:** China Everbright shall procure CE Bank to provide the Loan Services to members of the Group for a term of five years from 1 January 2020 to 31 December 2024. The Loan Service Framework Agreement shall be non-exclusive, and the Group is at liberty to obtain loan services from other third parties.

The relevant parties shall enter into separate Loan Agreements to set out the specific provisions of the Loan Services, and the terms and conditions of the Loan Agreements shall be determined by the parties in accordance with the terms of the Loan Service Framework Agreement.

The term of each of the Loan Agreements shall not exceed the term of the Loan Service Framework Agreement.

Subject to the terms and conditions of the Loan Agreements, security over the Group's assets or rental income received from its leasing business may be required for the Loan Services.

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## LETTER FROM GRAM CAPITAL

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- Pricing policy:** The interest rate payable by the Group to CE Bank in respect of the Loan Services shall:
- (i) be determined based on arm's length negotiations between CE Bank and the Group with reference to the prevailing interest rate for similar loan services which can be obtained by the Group from independent third parties and on normal commercial terms;
  - (ii) not be higher than the interest rates to be charged by independent third parties; and
  - (iii) be in compliance with the rules and regulations prescribed by the PBOC and/or other relevant rules and regulations within or outside the PRC.

As the Group did not utilise any Loan Services for FY2017, FY2018 and the six months ended 30 June 2019, we cannot make comparison with the loan services provided by independent third parties to the Group.

In order to ensure that the pricing policy in each of the Framework Agreements is adhered to, the Group has the IC Procedures & Policies as set out under the section headed "4. Internal Control Measures" of the Board Letter.

We consider that the effective implementation of the IC Procedures & Policies would help to ensure fair determination of the interest rates for the Loan Services.

For our due diligence purpose, we obtained a set of documents (including quotations from CE Bank and other independent banks and internal report prepared based on the said quotations) regarding a potential loan to be obtained by the Group from CE Bank. Nothing came to our attention that caused us to believe that the interest rate determination under the aforementioned documents was not complied with the pricing policies of the Loan Services.

As aforementioned, China Everbright shall procure CE Bank to provide the Loan Services to members of the Group for a term of five years from 1 January 2020 to 31 December 2024.

In assessing the reasons for the duration of the Loan Service Framework Agreement to be longer than three years, we enquired into the Directors and the Directors advised us that the Group will obtain the Loan Services mainly for acquisition of properties. We consider that obtaining

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## LETTER FROM GRAM CAPITAL

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long-term loans to finance acquisitions of properties can ease the financial burden of and provide more flexibility to the Group (i.e. the Group can make repayment in full in a maximum of five years instead of three years).

In considering whether it is normal business practice for agreements of similar nature (i.e. loan facilities obtained from banks/financial institutions) with the Loan Service Framework Agreement to have a term of such duration. We identified five loan facilities with term of more than three years obtained and announced by companies listed on the Stock Exchange, during the period of one year prior to the date of Loan Service Framework Agreement, and noted from those announcements that the terms of loans ranged from 3.5 years to 10 years. In addition, we also reviewed two loan agreements entered into between the Company and an independent third party with terms of five years.

Taking into account of the above, we confirm that the duration of the Loan Service Framework Agreement, which is longer than three years is required and it is normal business practice for the Loan Service Framework Agreement to be of such duration.

### *Annual caps of the Loan Services (the “Loan Cap(s)”)*

The historical figures and existing annual caps of the Loan Services for the three years ending 31 December 2019 are set out as follows:

	<b>For the year ended 31 December 2017 RMB'000</b>	<b>For the year ended 31 December 2018 RMB'000</b>	<b>For the year ending 31 December 2019 RMB'000</b>
Maximum daily balance of loans provided by CE Bank to the Group	Nil	Nil	Nil ( <i>Note</i> )
Existing annual caps	300,000	300,000	300,000
Utilisation rate (%)	Nil	Nil	Not determined yet

*Note:* Historical amount for the six months ended 30 June 2019.

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## LETTER FROM GRAM CAPITAL

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The proposed annual caps of the Loan Services are set out as follows:

	For the year ending				
	2020	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Maximum daily balance of loans to be provided by CE Bank to the Group	350,000	350,000	350,000	350,000	350,000

We noted that the Loan Caps are determined with reference to the factors set out under the section headed “2. Loan Service Framework Agreement — Proposed annual caps” of the Board Letter.

Although the Group did not utilise any Loan Services for FY2017, FY2018 and the six months ended 30 June 2019, with reference to the Board Letter, the Group has been looking for investment opportunities in commercial properties that are of similar scale and grading as compared to the Premises currently owned by the Group in 2020 and 2021 (the “**Potential Acquisition(s)**”) to further broaden its property portfolio within and outside the PRC, such as the southwest region in the PRC, including Kunming, Yunnan province and Chengdu, Sichuan province. With reference to the market value of the Premises as at 30 June 2019, the purchase price of each Potential Acquisition may range from approximately RMB190 million to RMB360 million, which are anticipated to be financed by internal resources and the Loan Services.

For our due diligence purpose, we obtained a summary of valuations of the Premises held by the Group and noted that the valuations of the Group’s commercial properties as at 30 June 2019 ranged from approximately RMB190 million to RMB360 million. Accordingly, the target purchase prices of the Potential Acquisitions are comparable with the valuations of the Group’s commercial properties as at 30 June 2019.

Should the Potential Acquisitions materialise, the Loan Caps of RMB350 million per annum for the three years ending 31 December 2022 are required to support the Potential Acquisitions. Accordingly, we consider that the Loan Caps for the three years ending 31 December 2022 to be fair and reasonable.

In light of the above, we consider that the terms of the Loan Services are on normal commercial terms and are fair and reasonable.

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## LETTER FROM GRAM CAPITAL

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### *Lease Framework Agreement*

Principal terms of the Lease Framework Agreement are set out below:

**Date:** 7 November 2019

**Parties:** (i) the Company; and  
(ii) China Everbright.

**Description of the transactions:**

The Company shall lease and procure members of the Group to lease the Premises to Everbright Group, and China Everbright shall lease and procure members of Everbright Group to lease the Premises from the Group during the ten-year period from 1 January 2020 to 31 December 2029. The Lease Framework Agreement shall be non-exclusive, and the Group is at liberty to lease the Premises to other third parties.

The relevant parties shall enter into separate Lease Agreements to set out the specific provisions of the leasing of the Premises, and the terms and conditions of the Lease Agreements shall be determined by the parties in accordance with the terms of the Lease Framework Agreement.

The term of each of the Lease Agreements shall not exceed the term of the Lease Framework Agreement.

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## LETTER FROM GRAM CAPITAL

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**Pricing policy:**

The rents payable by the Everbright Group to the Group under the Lease Agreements shall:

- (i) be determined based on arm's length negotiations between Everbright Group and the Group with reference to the prevailing market rents in the places where the Premises are located;
- (ii) not be lower than the rents to be paid by other independent third parties; and
- (iii) be in compliance with the rules and regulations prescribed by the relevant rules and regulations within or outside the PRC.

For our due diligence purpose, we obtained from the Company leasing information of the existing Lease with CE Bank to be renewed in 2020 (i.e. a draft lease agreement containing information including tenure, rent per square meter, location and gross floor area) and the Company also provided us three sets of leasing information (i.e. rent per square meter, location and gross floor area) obtained from property management companies/agency on commercial buildings in proximity to the subject building of the aforesaid Lease (the "**Lease Comparables**"). The Directors advised us that the leasing information of the Lease Comparables provided to us are exhaustive information they obtained from property management companies/agency for the purpose of assessing the rents offered to CE Bank. We noted that the rents per square meter of the aforesaid Lease with CE Bank are within the range of the rents per square meter of the Lease Comparables.

With reference to the 2018 Annual Report and as confirmed by the Directors, the independent non-executive Directors have reviewed, amongst others, the Lease for FY2018 provided the INED Confirmation. Pursuant to Rule 14A.56 of the Listing Rules, the Company's auditors were also engaged to report on, amongst others, the Lease for FY2018 in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Company's auditors have not qualified its report in respect of the Lease.

In order to ensure that the pricing policy in each of the Framework Agreements is adhered to, the Group has the IC Procedures & Policies as set out under the section headed "4. Internal Control Measures" of the Board Letter.

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## LETTER FROM GRAM CAPITAL

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We consider that the effective implementation of the IC Procedures & Policies would help to ensure fair determination of the rents for the Lease.

As aforementioned, we obtained from the Company leasing information of the existing Lease with CE Bank to be renewed in 2020 and the leasing information of the Lease Comparables for the Company's purpose of assessing the rents offered to CE Bank. We also obtained an internal report prepared by the Company based on the aforesaid leasing information. Nothing came to our attention that caused us to believe that the rents determination under the aforementioned documents was not complied with the pricing policies of the Lease.

As aforementioned, the Company shall lease and procure members of the Group to lease the Premises to Everbright Group, and China Everbright shall lease and procure members of Everbright Group to lease the Premises for a term of ten years from 1 January 2020 to 31 December 2029.

In assessing the reasons for the duration of the Lease Framework Agreement to be longer than three years, we have considered the following factors:

(i) Usual practice

The Directors advised us that it is the Group's usual practice to offer long-term leases of over three years. The Group previously entered into lease arrangements with tenure ranging from 2 to 20 years for leasing the Premises to independent third parties and members of Everbright Group in the PRC.

(ii) Long-term rental income

Long-term leases will provide the Group with stable rental income without interruption to its business operations because the Group can lease the Premises to Everbright Group for a longer period, thus reducing the Group's burden to identify new tenants after expiration of leases.

In considering whether it is normal business practice for agreements of similar nature (i.e. lease of commercial property) with the Lease Framework Agreement to have a term of such duration, we identified five transactions entered into and announced by companies listed on the Stock Exchange, during the period of one year prior to the date of Lease Framework Agreement, involving leasing of properties with duration of more than three years. We noted from those announcements that the terms of lease ranged from 5 years to 10 years. In addition, we also

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## LETTER FROM GRAM CAPITAL

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reviewed three properties lease agreements which are similar in nature (i.e. lease of the Premises owned by the Group) to the Lease Framework Agreement entered into between the Company and independent third parties with terms of 5 years and 20 years.

Taking into account of the above, we confirm that the duration of the Lease Framework Agreement which is longer than three years is required and it is normal business practice for the Lease Framework Agreement to be of such duration.

### *Annual caps of the Lease (the “Lease Cap(s)”)*

The historical figures and the existing annual caps of the Lease for the three years ending 31 December 2019 are set out as follows:

	<b>For the year ended 31 December 2017 <i>RMB'000</i></b>	<b>For the year ended 31 December 2018 <i>RMB'000</i></b>	<b>For the year ending 31 December 2019 <i>RMB'000</i></b>
Aggregate rental income (including rents and other fees) received by the Group from Everbright Group	6,177	6,289	3,271 ( <i>Note</i> )
Existing annual caps	7,000	7,000	7,000
Utilisation rate (%)	88.24	89.84	Not determined yet

*Note:* Historical amount for the six months ended 30 June 2019.

The proposed annual caps for the Lease are set out as follows:

	For the year ending 31 December									
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Aggregate rental income (including rents and other fees) to be received by the Group from Everbright Group	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000

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## LETTER FROM GRAM CAPITAL

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We noted that the Lease Caps are determined with reference to the factors set out under the section headed “3. Lease Service Framework Agreement — Proposed annual caps” of the Board Letter.

As depicted from the above table, the utilisation rates of the existing annual caps for FY2017 and FY2018 were approximately 88.24% and 89.84% respectively. Based on the existing Lease provided by the Group to Everbright Group, the utilisation rate of the existing annual cap for the year ending 31 December 2019 will exceed 90%.

To assess the fairness and reasonableness of the Lease Caps for the ten years ending 31 December 2029, we obtained the calculation for the Lease Caps (the “**Lease Caps Calculation**”). We noted that the Lease Caps Calculation covers the following elements:

- (i) The existing Leases which are expected to be continued during the ten years ending 31 December 2029, with rents increment during such period. Such Leases require approximately RMB8.6 million of the annual Lease Cap at maximum.
- (ii) Potential additional Leases (including the Potential Chengdu Lease as defined below) during the ten years ending 31 December 2029. RMB5.4 million of the annual Lease Cap at maximum is reserved to cater for these potential additional Leases.

For our due diligence purpose, we obtained the letter of intent entered into between a Company’s subsidiary and a branch CE Bank in relation to the potential additional Lease for a commercial property in Chengdu, Sichuan Province, the PRC (the “**Potential Chengdu Lease**”). Based on the Lease Caps Calculation, the Potential Chengdu Lease requires approximately RMB3.1 million of the annual Lease Cap at maximum.

Having considered the above, we consider that the Lease Caps of RMB14 million per annum for the ten years ending 31 December 2022 to be fair and reasonable.

In light of the above, we consider that the terms of the Lease are on normal commercial terms and are fair and reasonable.

### ***Listing Rules implication***

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the maximum values of the CCTs must be restricted by the annual caps for the period concerned under the Framework Agreements; (ii) the terms of the Framework Agreements must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors’ annual review on the terms

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## LETTER FROM GRAM CAPITAL

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of the Framework Agreements must be included in the Company's subsequent published annual reports and financial accounts. Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the CCTs (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group (applicable to the Lease only); (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the annual caps. In the event that the maximum amounts of the CCTs are anticipated to exceed the annual caps, or that there is any proposed material amendment to the terms of the Framework Agreements, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

With the stipulation of the above requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the CCTs and hence the interest of the Independent Shareholders would be safeguarded.

### RECOMMENDATION

Having taken into account that above factors and reasons, we are of the opinion that (i) the CCTs are conducted under the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole (as concluded under the section headed "Reasons for and benefits of the CCTs" above); and (ii) the terms of the CCTs are on normal commercial terms and are fair and reasonable. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant ordinary resolutions to be proposed at the EGM to approve the Framework Agreements and transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,  
**For and on behalf of**  
**Gram Capital Limited**  
**Graham Lam**  
*Managing Director*

*Note:* Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 20 years of experience in investment banking industry.

**1. RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

**2. DISCLOSURE OF INTERESTS****a) Directors' and chief executive's interests in the Company and associated corporations**

As at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests or short positions which they were taken or deemed to have under such provisions of the SFO); (ii) to be entered into the register kept by the Company pursuant to section 352 of the SFO or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

## b) Substantial Shareholders' interests in the Company

So far as is known to the Directors or the chief executive of the Company, as at the Latest Practicable Date, the persons (other than Directors or chief executives of the Company) who had an interest or short position in the Shares or underlying Shares, which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, were as follows:

Name	Notes	Capacity	Number of ordinary Shares interested	Approximately percentage of interest
Lucky Link Investments Limited (" <b>Lucky Link</b> ")	1	Beneficial owner	297,900,000	67.49%
Top Charm Investments Limited (" <b>Top Charm</b> ")	1	Beneficial owner	33,100,000	7.50%
Capital Century Company Limited (" <b>Capital Century</b> ")	1	Interested in controlled corporation	331,000,000	74.99%
CE Hong Kong	2	Interested in controlled corporation	331,000,000	74.99%
China Everbright	3	Interested in controlled corporation	331,000,000	74.99%
Central Huijin Investment Ltd. (" <b>Huijin</b> ")	4	Interested in controlled corporation	331,000,000	74.99%

*Notes:*

- (1) Lucky Link and Top Charm directly hold approximately 67.49% and 7.50% of the total issued shares, respectively, Capital Century holds 100% shares in Lucky Link and Top Charm and is therefore deemed to be interested in 297,900,000 and 33,100,000 shares held by Lucky Link and Top Charm, respectively. Mr. Liu Jia and Mr. Lin Zimin, being our Directors, are also directors of Lucky Link, Top Charm and Capital Century. Ms. Tse Hang Mui and Mr. Li Yinzhong, being our Directors, are also directors of Capital Century.
- (2) CE Hong Kong is an indirect controlling shareholder of Lucky Link and Top Charm. CE Hong Kong directly holds 99.997% shares in Capital Century, 0.3% of which is held on trust for the National Administrative Bureau of State Owned Property, and indirectly holds 0.003% shares in Capital Century through China Everbright Holdings (Nominee) Limited. Therefore, CE Hong Kong is deemed to be interested in 297,900,000 and 33,100,000 shares held by Lucky Link and Top Charm, respectively. Mr. Liu Jia and Mr. Li Yinzhong, being our Directors, are also directors of CE Hong Kong.
- (3) China Everbright holds 100% shares in CE Hong Kong and is therefore deemed to be interested in 297,900,000 and 33,100,000 shares held by Lucky Link and Top Charm, respectively.

- (4) Huijin is indirectly wholly-owned by the State Council and holds 55.67% equity interest in China Everbright. It is deemed to be interested in 297,900,000 and 33,100,000 shares held by Lucky Link and Top Charm, respectively.

### **3. DIRECTORS' INTEREST IN COMPETING BUSINESS**

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective close associates had any interest in a business which competes or may compete, either directly or indirectly, with the business of the Group, or has or may have any other conflicts of interest with the Group pursuant to Rule 8.10 of the Listing Rules.

### **4. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018 (being the date to which the latest published audited financial statements of the Group were made up).

### **5. SERVICE CONTRACTS OF DIRECTORS**

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into a service contract with any member of the Group which does not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

### **6. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS OF THE GROUP**

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been since 31 December 2018 (being the date to which the latest published audited consolidated financial statements of the Company were made up) acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

None of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Group taken as a whole.

**7. EXPERT AND CONSENT**

The following is the qualification of the expert who has given opinion or advice contained in this circular:

<b>Name</b>	<b>Qualification</b>
Gram Capital Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, Gram Capital was not beneficially interested in the share capital of the Group nor did it have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in the Group.

As at the Latest Practicable Date, Gram Capital had no direct or indirect interest in any assets which had been since 31 December 2018 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to the Group, or were proposed to be acquired or disposed of by or leased to the Group.

Gram Capital has given and has not withdrawn its written consent to the issue of this circular, with the inclusion therein of its letter(s), report(s), opinion and/or the references to its name in the form and context in which it appears.

The letter and recommendation from Gram Capital are given as at the date of this circular for incorporation herein.

**8. GENERAL**

In case of any discrepancy, the English text of this circular and the proxy form shall prevail over the Chinese text.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the principal place of business of the Company at Room 1302, 13th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong during normal business hours on any weekday (except Saturdays and public holidays) from the date of this circular up to and including the date of the EGM:

- (a) the Deposit Service Framework Agreement;
- (b) the Loan Service Framework Agreement;
- (c) the Lease Framework Agreement;
- (d) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 23 to 24 of this circular;
- (e) the letter from Gram Capital containing its advice to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 25 to 45 of this circular;
- (f) the Memorandum and Articles of Association;
- (g) the written consent of Gram Capital referred in the paragraph headed “Expert and Consent” in this Appendix; and
- (h) this circular.

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## NOTICE OF EGM

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### EVERBRIGHT GRAND CHINA ASSETS LIMITED 光大永年有限公司

*(Incorporated in the British Virgin Islands with limited liability and  
transferred by way of continuation into the Cayman Islands)*

**(Stock code: 3699)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the extraordinary general meeting (the “**EGM**”) of Everbright Grand China Assets Limited (the “**Company**”) will be held at Drawing Room, M/F, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Monday, 30 December 2019 at 2:30 p.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions. Unless the context otherwise requires, capitalised terms used herein shall have the same meanings as those defined in the circular of the Company dated 10 December 2019 (the “**Circular**”):

#### ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the execution of the Deposit Service Framework Agreement and its proposed annual caps (as defined and described in the Circular) be and are hereby confirmed, ratified and approved and the transactions contemplated thereunder be and is hereby approved; and
- (b) any one or more directors of the Company be and are hereby authorised to do all such acts and things as they consider necessary and to sign and execute all such documents (including under the seal of the Company), and to take all such steps which in their opinion may be necessary appropriate, desirable or expedient for the purpose of giving effect to the Deposit Service Framework Agreement and its proposed annual caps and completing the transactions contemplated thereunder.”

2. “**THAT**

- (a) the execution of the Loan Service Framework Agreement and its proposed annual caps (as defined and described in the Circular) be and are hereby confirmed, ratified and approved and the transactions contemplated thereunder be and is hereby approved; and

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## NOTICE OF EGM

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- (b) any one or more directors of the Company be and are hereby authorised to do all such acts and things as they consider necessary and to sign and execute all such documents (including under the seal of the Company), and to take all such steps which in their opinion may be necessary appropriate, desirable or expedient for the purpose of giving effect to the Loan Service Framework Agreement and its proposed annual caps and completing the transactions contemplated thereunder.”

3. **“THAT**

- (a) the execution of the Lease Framework Agreement and its proposed annual caps (as defined and described in the Circular) be and are hereby confirmed, ratified and approved and the transactions contemplated thereunder be and is hereby approved; and
- (b) any one or more directors of the Company be and are hereby authorised to do all such acts and things as they consider necessary and to sign and execute all such documents (including under the seal of the Company), and to take all such steps which in their opinion may be necessary appropriate, desirable or expedient for the purpose of giving effect to the Lease Framework Agreement and its proposed annual caps and completing the transactions contemplated thereunder.”

By order of the Board  
**Everbright Grand China Assets Limited**  
**LIU Jia**  
*Chairman*

Hong Kong, 10 December 2019

*Notes:*

1. All resolutions at the meeting will be taken by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.
2. Any shareholder of the Company entitled to attend and vote at the above meeting is entitled to appoint more than one proxy to attend and on a poll, vote instead of him/her. A proxy need not be a shareholder of the Company. If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant proxy form. Every shareholder present in person or by proxy shall be entitled to one vote for each share held by him/her.

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## NOTICE OF EGM

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3. In order to be valid, the proxy form together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority, must be delivered at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the above meeting (i.e. not later than 2:30 p.m. on Saturday, 28 December 2019) or the adjourned meeting (as the case may be). Completion and delivery of the proxy form shall not preclude a shareholder of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. For determining the entitlement to attend and vote at the above meeting, the Register of Members of the Company will be closed from Monday, 23 December 2019 to Monday, 30 December 2019, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 20 December 2019.
5. Details of the abovementioned resolutions to be considered and approved at the EGM are set out in the circular of the Company in respect of the EGM dated 10 December 2019.
6. References to time and dates in this notice are to Hong Kong time and dates.