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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)

**CONTINUING CONNECTED TRANSACTION:
NEW LEASE FRAMEWORK AGREEMENT
AND
DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTION:
NEW DEPOSIT SERVICE FRAMEWORK AGREEMENT
AND
CONTINUING CONNECTED TRANSACTION:
NEW LOAN SERVICE FRAMEWORK AGREEMENT**

NEW FRAMEWORK AGREEMENTS

Reference is made to the circular of the Company dated 10 December 2019 and the Poll Results Announcement that the resolutions relating to the 2019 Framework Agreements were voted down by the then Independent Shareholders at the 2019 EGM. Having considered the needs of the Group to develop its business and optimise its operation, on 2 November 2020, the Company and China Everbright entered into the New Framework Agreements: (i) the New Lease Framework Agreement for a term of ten years commencing retrospectively from 1 January 2020 and ending on 31 December 2029; (ii) the New Deposit Service Framework Agreement for a term of three years commencing retrospectively from 1 January 2020 and ending on 31 December 2022; and (iii) the New Loan Service Framework Agreement for a term of five years commencing retrospectively from 1 January 2020 and ending on 31 December 2024.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, China Everbright is the controlling shareholder of the Company indirectly holding approximately 74.99% of the issued Shares. Accordingly, China Everbright and its associates (other than the Group) are connected persons of the Company. As such, the transactions contemplated under the New 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 Rule 14.07 of the Listing Rules) in respect of the respective annual caps of the transactions to be contemplated under each of the New 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.

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 under the New Deposit Service Framework Agreement also constitutes a discloseable transaction of 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 New 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 New Framework Agreements.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

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

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 New 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 New Lease Framework Agreement and the New Loan Service Framework Agreement exceed three years, Gram Capital shall advise the reasons for the New Lease Framework Agreement and the New Loan Service 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.

GENERAL

A circular containing, among other things, (i) further details of the New Framework Agreements and their respective proposed annual caps; (ii) the letter from the Independent Board Committee to the Independent Shareholders; (iii) the letter from Gram Capital to the Independent Board Committee and the Independent Shareholders; and (iv) other information as required under the Listing Rules, together with the notice of the general meeting, will be despatched to the Shareholders not more than 15 business days after the publication of this announcement (i.e. on or before 23 November 2020) in accordance with the requirements of the Listing Rules.

1. BACKGROUND

Reference is made to the circular of the Company dated 10 December 2019 and the Poll Results Announcement that the resolutions relating to the 2019 Framework Agreements were voted down by the then Independent Shareholders at the 2019 EGM.

Having considered the need to develop its business and optimise its operation, the Company and China Everbright entered into the New Framework Agreements: (i) the New Lease Framework Agreement for a term of ten years commencing retrospectively from 1 January 2020 and ending on 31 December 2029; (ii) the New Deposit Service Framework Agreement for a term of three years commencing retrospectively from 1 January 2020 and ending on 31 December 2022; and (iii) the New Loan Service Framework Agreement for a term of five years commencing retrospectively from 1 January 2020 and ending on 31 December 2024.

2. NEW LEASE FRAMEWORK AGREEMENT

Pursuant to the Existing Lease Agreements, the Group is currently leasing certain premises in Ming Chang Building to CE Bank and CE Securities. As the Group will continue to lease other Premises to members of Everbright Group in the course of its daily operation, the Company and China Everbright entered into the New Lease Framework Agreement to better regulate the leasing of Premises.

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

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

Date: 2 November 2020

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 during the term of ten years commencing retrospectively from 1 January 2020 to 31 December 2029. The New 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 New Lease Framework Agreement.

The term of each of the Lease Agreements shall not exceed the term of the New 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.

Historical figures and annual caps

The following table sets out the historical figures and the annual caps (as disclosed in the Prospectus):

	For the year ended 31 December					
	2017	2017	2018	2018	2019	2019
	Historical amount	Historical annual cap	Historical amount	Historical annual cap	Historical amount	Historical annual cap
	<i>(RMB'000)</i>					
Aggregate rental income (including rents and other fees) received by the Group from Everbright Group	6,177	7,000	6,289	7,000	6,352	7,000

- (5) the potential increase in market rent 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 RMB30.17 to RMB78.40 in 2019, and the rental increment of approximately 3% for every two years from 2020 to 2029 of the CE Bank Lease Agreement, which was determined with reference to the terms of the lease agreements entered into with other independent third parties, the prevailing market rates and rent increment, the credibility and reputation of CE Bank as well as the actual and estimated inflation rates derived from the change in consumer price index, producer price index and the gross domestic product; and
- (6) based on the experience of the Company, the Group may provide one-off management services in relation to the leasing of Premises to Everbright Group. The Group also provides its tenants certain value-added property management services (including hospitality services, extensive cleaning services (such as carpet cleaning, floor polishing and additional cleaning services and pest control), and repair and maintenance services include cleaning of air ventilation fans and filters for air conditioners). On some occasions, the tenants may also request surrogate driving services, surveillance, front desk receptions services, which are not within the Group's usual scope of services. The Group will charge one-time fee (includes value-added tax) for such services based on the nature of the services provided, the cost the Group incurred, negotiations with the tenants and the prevailing market prices. Given that certain services will be performed by third party engaged by the Group, the management fee the Group charges to the tenants will cover such third party costs. Having considered the historical amount of such management services requested by the other tenants of the Group ranging from approximately RMB1 million to RMB2 million, a buffer has been included for such unexpected amount of the management services which may be requested by Everbright Group under the new Lease Agreements.

Reasons and benefits for the transactions

The Group is principally engaged in property leasing. As at the date of this announcement, the Group owns premises in three commercial buildings, including Everbright Financial Centre, Everbright International Mansion and Ming Chang Building, 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. As disclosed in the interim report of the Company for the six months ended 30 June 2020, gross rentals from investment properties of the Group for the six months ended 30 June 2020 decreased by approximately RMB1.4 million as compared to the corresponding period of last year. The decrease in gross rentals from investment properties was mainly due to the expiration of lease agreement with a tenant of the Group in 2019, which created vacant premises in Everbright Financial Centre. It is expected that after obtaining the Independent Shareholders' approval at the EGM of the New Lease Framework Agreement, the Group will enter into two new Lease Agreements with CE Bank in relation to the leasing of premises in Everbright Financial Centre for a term of ten years, which will generate additional rental income of approximately RMB3 million per annum for the Group from Everbright Group. As such, the Directors are of the view that CE Bank would be a good replacement tenant for the vacant premises in Everbright Financial Centre and the leasing of Premises to members of Everbright Group is in line with the Group's leasing business.

Moreover, leasing Premises to Everbright Group will provide stability to the Group's rental income stream. Due to the outbreak of coronavirus disease 2019 ("COVID-19"), the Group implemented a series of measures to support its tenants with small businesses including rent reduction, rent-free periods and deferred payment of rents and other fees, and the rental income generated from these tenants decreased and became unstable. Meanwhile, as these supportive measures were only provided to tenants with small businesses, the impact on the rental income generated from tenants with sizeable businesses (such as CE Bank and CE Securities) is relatively stable. Hence, the Directors are of the view that it is beneficial for the Group to lease Premises to members of Everbright Group.

The Directors are of the view that it is reasonable for the term of the New 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;
- (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 rent 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.

Given the transactions to be contemplated under the New Lease Framework Agreement are in the ordinary and usual course of business of the Company and are under normal commercial terms, the Directors (excluding the independent non-executive Directors whose views will be formed after taking into account the advice of Gram Capital) are of the view that the terms of the New 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.

3. NEW DEPOSIT SERVICE FRAMEWORK AGREEMENT

Pursuant to the 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 expired on 31 December 2019, the Company and China Everbright entered into the New Deposit Service Framework Agreement to better regulate the provision of the Deposit Services.

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

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

Date: 2 November 2020

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 commencing retrospectively from 1 January 2020 to 31 December 2022. The New 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 New Deposit Service Framework Agreement.

The term of each of the Deposit Agreements shall not exceed the term of the New 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.

Historical figures and annual caps

The following table sets out the historical figures and annual caps (as disclosed in the Prospectus) under the Deposit Service Framework Agreement:

	For the year ended 31 December					
	2017	2017	2018	2018	2019	2019
	Historical amount	Historical annual cap	Historical amount	Historical annual cap	Historical amount	Historical annual cap
	<i>(RMB'000)</i>					
Maximum daily balance of deposits (including interests accrued thereon) placed by the Group with CE Bank	28,939	63,000	47,257	63,000	45,625	63,000

Proposed annual caps

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

	For the year ending 31 December		
	2020	2021	2022
	<i>(RMB'000)</i>		
Maximum daily balance of deposits (including interests accrued thereon) to be placed by the Group with CE Bank	46,000	46,000	46,000

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 Deposit Service Framework Agreement;
- (2) the proposed annual cap for each year represents not more than one-fourth of the cash and cash equivalents of approximately RMB201.3 million maintained by the Group as at 31 December 2019; and
- (3) as at the date of this announcement, the Group has placed deposits with not less than eight different banks (including CE Bank) in the PRC and Hong Kong. Furthermore, the Deposit Services will be obtained by the Group on a voluntary and non-exclusive basis. There is no restriction under the New 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. The Group is considering to further diversify the banks or financial institutions for cash deposits for the purpose of risk management of its capital and the proposed annual caps can provide more flexibility to the Group's cash management and allocation, such as maximising the interest income earned from deposit.

Reasons and benefits for the transactions

CE Bank has been providing the Deposit Services to the Group prior to listing of the Company on the Stock Exchange, which has developed a deep understanding of the capital needs and business model of the Group. Moreover, CE Bank offers lower handling fees for internal settlements among members of the Group and settlements to third parties through CE Bank accounts when compared to other bank accounts, and most of the miscellaneous fees are waived for the Deposit Services provided by CE Bank. 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 New Deposit Service Framework Agreement are in the ordinary and usual course of business of the Company and are under normal commercial terms, the Directors (excluding the independent non-executive Directors whose views will be formed after taking into account the advice of Gram Capital) are of the view that the terms of the New 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.

4. NEW LOAN SERVICE FRAMEWORK AGREEMENT

Pursuant to the Loan Service Framework Agreement, China Everbright shall procure CE Bank to provide the Loan Services to members of the Group. As the Loan Service Framework Agreement and its annual caps expired on 31 December 2019 and after considering the actual need of the Group within and outside the PRC, the Company and China Everbright entered into the New Loan Service Framework Agreement to better regulate the provision of the Loan Services.

The New 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 New Loan Service Framework Agreement is set forth below:

Date: 2 November 2020

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 commencing retrospectively from 1 January 2020 to 31 December 2024. The New 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 New Loan Service Framework Agreement.

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

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

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 annual caps

The following table sets out the historical figures and annual caps (as disclosed in the Prospectus) under the Loan Service Framework Agreement:

	For the year ended 31 December					
	2017	2017	2018	2018	2019	2019
	Historical amount	Historical annual cap	Historical amount	Historical annual cap	Historical amount	Historical annual cap
Maximum daily balance of loans provided by CE Bank to the Group	Nil	300,000	Nil	300,000	Nil	300,000

Proposed annual caps

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

		For the year ending 31 December			
	2020	2021	2022	2023	2024
		<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

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. Due to the outbreak of COVID-19 across the world and as the potential acquisition is subject to further negotiation and the landlord's willingness to sell, it had not been materialised as at the date of this announcement. Although the Group did not utilise the Loan Services under the Loan Service Framework Agreement to acquire properties in the United Kingdom as at the date of this announcement, 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 31 December 2019, the purchase prices of the potential acquisitions may range from approximately RMB191 million to RMB368 million, which are anticipated to be financed by internal resources and the Loan Services;

- (2) the Board noted that there is an increase in supply of properties in the southwest region in the PRC, including Yunnan province and Sichuan province, as a result of the increasing number of foreclosed, repossessed or distressed properties held by commercial banks and financial institutions for disposal and sale through auctions caused by various reasons, including the property owners' mortgage default and sale of pledged collaterals under secured loans, partly due to the economic impact under the outbreak of COVID-19. The Board considers that it is beneficial to the Group to have more readily available funding for capturing suitable insolvent property investment opportunities which may arise at any time for generating investment returns to the Shareholders because they usually are sold for less than open market value and present potential for capital appreciation at a relatively low cost. The Board further considers that the Group's experience in property investment, recognition of the "Everbright" brand and network with cooperating banks and financial institutions in Yunnan province and Sichuan province give the Group an advantage in locating suitable insolvent property investment opportunities. In the event that the Company identifies any suitable insolvent property investment opportunity, the Loan Services of not more than RMB150 million may be obtained by the Group for financing the acquisition of such property investment. As at the date of this announcement, the Company has not identified any suitable insolvent property investment opportunity; and
- (3) the expected increase in the amount of loans required by the Group to complement the growth in its future business operations.

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 New 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.

Furthermore, the Directors believe that it is important for the Group to have more readily available funding for capturing suitable investment opportunities which arise at any time as mentioned above. In the event that the Company identifies any suitable property investment opportunity, the Company will perform valuation and due diligence on the property to assess if it is beneficial for the Group to proceed with the investment. For insolvent property investment opportunity, the Company will also engage professional advisers to perform due diligence in order to identify if there is any defect, potential claims by other relevant parties, costs and barriers of the recovery process of the insolvent property before deciding whether to make such investment. The Company will comply with the relevant requirements of the Listing Rules as and when the investment materialises.

The Directors are of the view that it is reasonable for the term of the New Loan Service Framework Agreement to be longer than three years and it is the market practice to enter into long-term loans for more than three years to finance acquisitions of sizeable commercial properties based on the following factors:

- (1) the Group previously entered into loan agreements with independent third parties for terms ranging from 5 to 12 years to finance acquisitions of commercial properties; and
- (2) the Group's payments on the costs of the commercial property acquisition are to be effective over a longer period, which provides flexibility to the Group and allows sufficient time for the Group to generate adequate cash flow for the purpose of repayment without creating unreasonable stress to the planning of working capital by the Group.

Given the transactions to be contemplated under the New Loan Service Framework Agreement are in the ordinary and usual course of business of the Company and are under normal commercial terms, the Directors (excluding the independent non-executive Directors whose views will be formed after taking into account the advice of Gram Capital) are of the view that the terms of the New 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.

5. 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 date of this announcement. 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 New 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 New 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.

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 under the New Deposit Service Framework Agreement 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 New 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 New Framework Agreements.

As China Everbright and its associates have material interests in the transactions to be contemplated under each of the New Framework Agreements, China Everbright and its associates including Lucky Link Investments Limited (directly holding 297,900,000 Shares) and Top Charm Investments Limited (directly holding 33,100,000 Shares) will be required to abstain from voting at the EGM with respect to the ordinary resolutions in connection with the New Framework Agreements and their proposed annual caps.

6. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

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

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 New 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 New Lease Framework Agreement and the New Loan Service Framework Agreement exceed three years, Gram Capital shall advise the reasons for the New Lease Framework Agreement and the New Loan Service 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.

7. 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 date of this announcement, the Premises include 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.

8. INTERNAL CONTROL MEASURES

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

- (i) 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;
- (ii) the leasing department of the Company shall be responsible for reviewing the pricing terms of the management services provided to the tenants and obtaining fee quotations from third parties for certain value-added property management services. The leasing department will charge Everbright Group for the services performed by third party suppliers engaged by the Group in full cost and ensure the management fee charged to Everbright Group is comparable to that charged to other independent tenants for the same or similar services;
- (iii) 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;
- (iv) 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;

- (v) 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 New 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 New Loan Service Framework Agreement and the Loan Agreements, so as to ensure that the maximum daily balance will not exceed the proposed annual cap for each financial year;
- (vi) the internal control department and relevant personnel of the Company shall monitor and ensure all transactions contemplated under the New 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 New Framework Agreements;
- (vii) the independent non-executive Directors will review the transactions to be entered into pursuant to the New 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 New Framework Agreements; and
- (viii) 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 New Framework Agreements.

9. GENERAL

A circular containing, among other things, (i) further details of the New Framework Agreements and their respective proposed annual caps; (ii) the letter from the Independent Board Committee to the Independent Shareholders; (iii) the letter from Gram Capital to the Independent Board Committee and the Independent Shareholders; and (iv) other information as required under the Listing Rules, together with the notice of the EGM, will be despatched to the Shareholders not more than 15 business days after the publication of this announcement (i.e. on or before 23 November 2020) in accordance with the requirements of the Listing Rules.

10. DEFINITIONS

Unless the context otherwise requires, the following expression in this announcement shall have the following meanings:

“2019 EGM”	extraordinary general meeting of the Company held on 30 December 2019
“2019 Framework Agreements”	the lease framework agreement, the deposit service framework agreement and the loan service framework agreement entered into by China Everbright and the Company on 7 November 2019, details of which have been disclosed in the announcement of the Company dated 7 November 2019 and the circular of the Company dated 10 December 2019
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Brighter Win”	Brighter Win Limited (光永有限公司), a company incorporated in Hong Kong with limited liability on 16 July 1997 and an indirect wholly-owned subsidiary of the Company
“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 Bank Lease Agreement”	the lease agreement entered into between Brighter Win and CE Bank in relation to the leasing of certain premises in Ming Chang Building with the term expiring on 31 December 2029, details of which have been disclosed in the Prospectus and the announcement of the Company dated 31 December 2019

“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
“CE Securities”	Everbright Securities Company Limited (光大證券股份有限公司), a company established in the PRC, whose shares are listed on the Stock Exchange (stock code: 06178) and the Shanghai Stock Exchange (stock code: 601788), 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 Securities Lease Agreement”	the lease agreement entered into between Brighter Win and CE Securities in relation to the leasing of certain premises in Ming Chang Building with the term expiring on 30 April 2021, details of which have been disclosed in the Prospectus
“China Everbright”	China Everbright Group Limited (中國光大集團股份有限公司), 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 New Deposit Service Framework Agreement

“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
“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 to consider and, if thought fit, to approve the transactions contemplated under the New Framework Agreements and their respective annual caps
“Everbright Financial Centre”	Chengdu Everbright Financial Centre* (成都光大金融中心大廈), a commercial building located at No. 9 Wenwu Road, Qingyang district, Chengdu, Sichuan province, the PRC
“Everbright Group”	China Everbright and its subsidiaries and associates (other than the Group)
“Everbright International Mansion”	Chengdu Everbright International Mansion* (成都光大國際大廈), a commercial building located at No. 2 Caoshi Street, Qingyang district, Chengdu, Sichuan province, the PRC
“Existing Lease Agreements”	the CE Bank Lease Agreement and the CE Securities Lease 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 New 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
“Lease Agreements”	the lease agreements to be entered into between members of the Group and members of Everbright Group as contemplated under the New Lease Framework Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Loan Agreements”	the loan agreements to be entered into between members of the Group and CE Bank as contemplated under the New Loan Service Framework Agreement
“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 have been disclosed in the Prospectus (as supplemented by the supplemental loan service framework agreement entered into between the same parties on 17 December 2018)
“Loan Services”	loan, financing and/or other lending facility services provided by CE Bank
“Ming Chang Building”	Ming Chang Building* (明昌大廈), a building located at No. 28 Ren Min Road Central, Kunming, Yunnan province, the PRC
“New Deposit Service Framework Agreement”	the deposit service framework agreement entered into by China Everbright and the Company on 2 November 2020 in respect of the provision of Deposit Services to the Group

“New Framework Agreements”	the New Lease Framework Agreement, the New Deposit Service Framework Agreement and the New Loan Service Framework Agreement
“New Lease Framework Agreement”	the lease framework agreement entered into by China Everbright and the Company on 2 November 2020 in respect of the leasing of the Premises
“New Loan Service Framework Agreement”	the loan service framework agreement entered into by China Everbright and the Company on 2 November 2020 in respect of the provision of Loan Services to the Group
“PBOC”	People’s Bank of China (中國人民銀行)
“Poll Results Announcement”	poll results announcement of the Company dated 30 December 2019
“PRC” or “China”	the People’s Republic of China but excluding, for the purposes of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Premises”	Everbright Financial Centre, Everbright International Mansion and Ming Chang Building and other premises owned by the Group from time to time
“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.

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

Hong Kong, 2 November 2020

As at the date of this announcement, the Board comprises Mr. Liu Jia and Mr. Lin Zimin as executive Directors; Ms. Tse Hang Mui and Mr. Li Yinzhong as non-executive Directors; and Mr. Tsoi David, Mr. Shek Lai Him Abraham, Mr. Lee Jor Hung and Ms. Yu Pauline Wah Ling as independent non-executive Directors.

* *For identification purpose only*