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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)

**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
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



A notice convening the EGM to be held at Drawing Room, M/F, Grand Hyatt Hong Kong, 1 Harbour Road, Wan Chai, Hong Kong on Thursday, 26 November 2020 at 3:00 p.m. is set out on pages 64 to 66 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).

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 but in any event not less than 48 hours before the time appointed for the EGM (i.e. not later than 3:00 p.m. on Tuesday, 24 November 2020) or the adjourned meeting (as the case may be). Completion and return of the proxy form will not preclude shareholders from attending and voting in person at the EGM.

10 November 2020

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DEFINITIONS

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

“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

DEFINITIONS

“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 have been disclosed in the Prospectus

DEFINITIONS

“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, Wan Chai, Hong Kong on Thursday, 26 November 2020 at 3:00 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 64 to 66 of this circular
“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

DEFINITIONS

“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”	2 November 2020, 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 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

DEFINITIONS

“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)
“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”	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

DEFINITIONS

“US\$” the lawful currency of the United States

“%” per cent.

* *For identification only*

LETTER FROM THE BOARD



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 Yinzong

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, Uglan 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 November 2020

To the Shareholders

Dear Sir or Madam,

**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
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

I. INTRODUCTION

Reference is made to the circular of the Company dated 10 December 2019 and the poll results announcement of the Company dated 30 December 2019 (the “**Poll Results Announcement**”) that the resolutions relating to the 2019 Framework Agreements were voted down by the then Independent Shareholders at the extraordinary general meeting of the Company held on the same date (the “**2019 EGM**”).

LETTER FROM THE BOARD

Reference is also made to the announcement of the Company dated 2 November 2020 (the “**Announcement**”). 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.

The purpose of this circular is to provide you with, among other things, (i) details of the continuing connected transactions in relation to the New Framework Agreements; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of, among other things, the New 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 New 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. 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.

LETTER FROM THE BOARD

Description of the transactions:

The Company shall lease and procure members of the Group to lease Premises to Everbright Group, and China Everbright shall lease and procure members of Everbright Group to lease 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 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 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.

LETTER FROM THE BOARD

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 Historical amount	2017 Historical annual cap	2018 Historical amount	2018 Historical annual cap	2019 Historical amount	2019 Historical annual cap
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

The aggregate rental income (including rents and other fees) to be received by the Group from Everbright Group under the Existing Lease Agreements for the year ending 31 December 2020 amount to approximately RMB7.4 million. The transactions contemplated under the Existing Lease Agreements constituted partial non-exempt continuing connected transactions under Chapter 14A of the Listing Rules, which were subject to the reporting, announcement and annual review requirements but exempt from circular and independent Shareholders' approval. The Company has complied with the relevant requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Existing Lease Agreements.

LETTER FROM THE BOARD

Proposed annual caps

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

	For the year ending 31 December										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	
	<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	14,000

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, 2018 and 2019 amounted to approximately RMB6.2 million, RMB6.3 million and RMB6.4 million, respectively, representing approximately 88.2%, 90.0% and 90.7% of the historical annual cap of RMB7.0 million (as disclosed in the Prospectus), indicating that the historical annual caps had been nearly fully utilised;
- (2) the highest annual rental income (including tax) of approximately RMB7.3 million to be received by the Group from CE Bank pursuant to the CE Bank Lease Agreement in the coming ten years from 1 January 2020 to 31 December 2029, and the highest annual rental income (including tax) of approximately RMB1.3 million to be received by the Group from CE Securities after the renewal of the CE Securities Lease Agreement in April 2021;
- (3) in addition to the Existing Lease Agreements, the Group plans to enter into two separate Lease Agreements with CE Bank for leasing premises in Everbright Financial Centre after obtaining the Independent Shareholders' approval at the EGM of the New Lease Framework Agreement, which is expected to generate additional rental income of approximately RMB3 million per annum for the Group from Everbright Group;
- (4) the Group may lease additional Premises (that are currently leased to other tenants) to Everbright Group when their leases expire in the coming years;

LETTER FROM THE BOARD

- (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 Latest Practicable Date, the Group owned 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

LETTER FROM THE BOARD

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 such vacant 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 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

LETTER FROM THE BOARD

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 33 to 58 of this circular for advice from the Independent Financial Adviser in relation to its view on the length of the New Lease Framework Agreement.

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 (including the independent non-executive Directors) 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.

2. 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.

LETTER FROM THE BOARD

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 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.

LETTER FROM THE BOARD

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 Historical amount	2017 Historical annual cap	2018 Historical amount	2018 Historical annual cap	2019 Historical amount	2019 Historical annual cap
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

The maximum daily balance of deposits (including interests accrued thereon) placed by the Group with CE Bank since 1 January 2020 up to the Latest Practicable Date amounted to approximately RMB2 million. The deposit services procured by the Group from CE Bank constituted *de minimis* continuing connected transactions under Rule 14A.76(1) of the Listing Rules and were fully exempt from all of the reporting, announcement, annual review and Independent Shareholders' approval under Chapter 14A of the Listing Rules.

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
Maximum daily balance of deposits (including interests accrued thereon) to be placed by the Group with CE Bank	46,000	46,000	46,000

LETTER FROM THE BOARD

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 Latest Practicable Date, the Group had 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 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. 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 interest 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.

LETTER FROM THE BOARD

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 (including the independent non-executive Directors) 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.

3. 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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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

No Loan Services were provided to the Group by CE Bank from 1 January 2020 up to the Latest Practicable Date.

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
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

LETTER FROM THE BOARD

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 Latest Practicable Date. 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 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 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 the Latest Practicable Date, the Company had 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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

Please refer to the letter from the Independent Financial Adviser set out on pages 33 to 58 of this circular for advice from the Independent Financial Adviser in relation to its view on the length of the New Loan Service Framework Agreement.

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 (including the independent non-executive Directors) 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.

4. 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 as 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;

LETTER FROM THE BOARD

- (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 caps 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.

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.

LETTER FROM THE BOARD

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.

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 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 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.

LETTER FROM THE BOARD

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.

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 New 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 New Framework Agreements and their proposed annual caps. A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 31 to 32 of this circular. The letter from the Independent Board Committee to the Independent Shareholders contains its recommendation on the New Framework Agreements and their proposed annual caps. Having considered the appropriate internal control measures in place and the pricing policies with respect to the New 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 the New 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 New Framework Agreements and their proposed annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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 the 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,

LETTER FROM THE BOARD

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. A letter from Gram Capital to the Independent Board Committee and the Independent Shareholders is set out on pages 33 to 58 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 New Framework Agreements and their proposed annual caps.

III. EGM

The notice convening the EGM is set out on pages 64 to 66 of this circular. At the EGM, ordinary resolutions will be proposed to approve, among other things, the entering of the New 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 the holding of the EGM (i.e. not later than 3:00 p.m. on Tuesday, 24 November 2020) or any adjournment thereof. Completion and return 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 November 2020 to Thursday, 26 November 2020 (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 Friday, 20 November 2020 will be entitled to attend and vote at the EGM.

IV. RECOMMENDATION

The resolutions relating to the 2019 Framework Agreements have been voted down at the 2019 EGM. The Board was aware that attendance of the 2019 EGM in person or by proxy is relatively low, which only accounted for approximately 7.3% out of the total number of Shares entitling the holder to attend and vote on the resolutions at the 2019 EGM. Although the reasons for the resolutions relating to the 2019 Framework Agreements being voted down at the 2019 EGM remain unknown to the Company, the Board is of the view that the poll results of the relevant resolutions may not truly reflect the views of the majority of the Independent Shareholders.

LETTER FROM THE BOARD

The Group is principally engaged in property leasing, property management and sales of properties held for sales. As disclosed in the Prospectus, the Company intends to diversify the Group's property portfolio, lower the risk of concentration and enhance its overall corporate development. As mentioned in the Poll Results Announcement, the Company will continue to actively develop its business and optimise its operation by seeking business cooperation with existing business partners and customers (including Everbright Group) and exploring new business opportunities. In 2020, COVID-19 pandemic is continuing its spread across the world, and the economic crisis unleashed by the outbreak of COVID-19 is expected to profoundly impact business and corporate operations of countries around the world. Although the PRC government has re-classified the entire country as low-risk for COVID-19 pandemic since 7 May 2020, there are still uncertainties as to when the outbreak of COVID-19 will be fully contained, and it is also unpredictable if the economic impact will be short-lived or long-lasting. The Company considers that it is desirable for the Group to continue its business relationship with and to seek supports from Everbright Group, as such business relationship is expected to provide stable income to the Group, and it is beneficial to the Group's business development in the long run through leveraging on the network, resources and experience of Everbright Group in various business sectors. After considering the needs of business development of the Company and the prevailing market conditions within the PRC and worldwide, the Board proposed to enter into the New Framework Agreements which are under the same terms and conditions of those under the 2019 Framework Agreements. The Board believes that the transactions contemplated under the New Framework Agreements would be cost-efficient and beneficial for the Group, which can maximise the Shareholders' value in the following ways:-

The Group has been actively enhancing its efficiency in maintaining high occupancy rates of the Premises through maintaining a stable tenant base and minimising downtime arising from lease expiration or early termination, especially during an economic downturn. Everbright Group has been the Group's existing tenant before the Company's listing on the Stock Exchange and has also indicated its need to the Company on leasing more properties from the Group in the coming years. Suppose the Group is not allowed to renew leases with or re-lease the available space to Everbright Group, there is no assurance that the Group will be able to secure replacement tenants for the vacant space at the same or higher rental rates on similar terms or at all. The Group may have to lower rental rates to secure tenants, especially during this period, and it may also experience long periods of vacancy at its properties and decrease in its property leasing revenue. The reasons and benefits for entering into the New Lease Framework Agreement are set out in "II. Continuing Connected Transactions — 1. New Lease Framework Agreement — Reasons and benefits for the transactions" above in this circular. If the resolution relating to the entering into of the New Lease Framework Agreement is not approved by the Independent Shareholders, it would limit the Group's ability to grow its property leasing business, especially under the era of COVID-19, and to take benefit from the additional rental income of approximately RMB3 million

LETTER FROM THE BOARD

per annum and other potential rental income to be generated from Everbright Group as mentioned above in this circular, which may affect the Group's financial performance and financial position relating to its property leasing business.

Furthermore, since the Company's listing on the Stock Exchange, the Group has been pursuing suitable investment opportunities by acquiring completed properties or investing in the development of projects with potentially attractive yields and net asset growth in overseas markets, mainly in the United Kingdom and key cities in western China, in particular, the southwest region in the PRC, including Chengdu and Kunming, being the capital city of Sichuan and Yunnan provinces, respectively. As such, the Group requires a significant amount of funding to support its future investment and acquisition of properties. The ability to obtain external financing on a timely basis or at a reasonable cost is crucial for the Group to undertake investments or acquisitions of suitable target properties which may affect the Group's expansion plan. The Company believes that the Loan Services to be provided by CE Bank under the New Loan Services Framework Agreement can effectively serve this purpose based on the reasons and benefits as stated in "II. Continuing Connected Transactions — 3. New Loan Service Framework Agreement — Reasons and benefits for the transactions" above in this circular.

To cope with the potential rental income received under the Lease Agreements to be entered into pursuant to the New Lease Framework Agreement and the loans granted under the Loan Services pursuant to the New Loan Service Agreement, the Company believes that it is necessary to enter into the New Deposit Service Framework Agreement to facilitate the inter-bank transfer and loan repayment. The Company believes that the Deposit Services to be provided by CE Bank under the New Deposit Service Framework Agreement can effectively serve this purpose based on the reasons and benefits as stated in "II. Continuing Connected Transactions — 2. New Deposit Service Framework Agreement — Reasons and benefits for the transactions" above in this circular.

The Company would like to reiterate that the New Lease Framework Agreement, the New Deposit Service Framework Agreement and the New Loan Service Framework Agreement are correlated with each other in terms of facilitating the operation and development of the Group's businesses, and they, as a whole, if approved by the Independent Shareholders, can maximise the benefits to be brought to the Group.

The Company sincerely regrets the poll results of the resolutions proposed at the 2019 EGM and looks forward to seeing more Shareholders to participate in the general meetings of the Company and to provide their valuable thoughts on the development of the Group in the future. The Company wishes to encourage Independent Shareholders to exercise their right to vote at the EGM and actively express their views on the entering into of the New Framework Agreements and the proposed annual caps after considering the reasons and benefits for such transactions as stated in this circular.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors whose recommendation is contained in the Letter from the Independent Board Committee of this circular) reaffirm their views that the transactions contemplated under the New Framework Agreements are in the ordinary and usual course of business of the Company and are under normal commercial terms, and the terms of the New Framework Agreements and their respective proposed annual caps are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

In light of the above, the Board recommends that the Independent Shareholders vote in favour of the New Framework Agreements, their proposed annual caps and the ordinary resolutions of the transactions contemplated under the New 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 31 to 32 of this circular which contains its recommendation to the Independent Shareholders on the New Framework Agreements and their proposed annual caps; and (ii) the letter from the Independent Financial Adviser set out on pages 33 to 58 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the New 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 appendices to this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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 New 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 November 2020

To the Independent Shareholders

Dear Sir or Madam,

**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**

We refer to the circular of the Company (the “**Circular**”) dated 10 November 2020 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 New 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 New 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 New Framework Agreements and their proposed annual caps are in the interests of the Company and its 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 New Framework Agreements and their proposed annual caps.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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 New 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 New Framework Agreements and their proposed annual caps.

Having taken into account the advice from Gram Capital, we consider that the terms of the New 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 the New 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 Abraham	LEE Jor Hung	YU Pauline Wah Ling
<i>Independent</i>	<i>Independent</i>	<i>Independent</i>	<i>Independent</i>
<i>non-executive Director</i>	<i>non-executive Director</i>	<i>non-executive Director</i>	<i>non-executive Director</i>

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the CCTs 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 November 2020

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

Dear Sirs,

**(I) CONTINUING CONNECTED TRANSACTION:
NEW LEASE FRAMEWORK AGREEMENT;
(II) DISCLOSEABLE AND CONTINUING CONNECTED
TRANSACTION:
NEW DEPOSIT SERVICE FRAMEWORK AGREEMENT; AND
(III) CONTINUING CONNECTED TRANSACTION:
NEW LOAN SERVICE 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 leasing of the Premises (the “**Lease(s)**”), the Deposit Services and the Loan Services (the “**CCTs**”) as contemplated under the New Framework Agreements, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 10 November 2020 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 2 November 2020, the Company and China Everbright entered into (i) the New Lease Framework Agreement for a term of ten years commencing from 1 January 2020 and ending on 31 December 2029; (ii) the New Deposit Service Framework Agreement for a term of three years

LETTER FROM GRAM CAPITAL

commencing 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 from 1 January 2020 and ending on 31 December 2024.

With reference to the Board Letter, the transactions contemplated under the New 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 New Framework Agreements and their proposed annual caps are fair and reasonable and on normal commercial terms; (ii) whether the New 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 New 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

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as an independent financial adviser (i) in respect of the discloseable transaction and continuing connected transactions of the Company as set out in the Company's circular dated 10 December 2019; and (ii) in respect of the continuing connected transaction of the Company as set out in the Company's announcement dated 31 December 2019. Notwithstanding the aforesaid past engagements, as at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Company, or any other parties that could be reasonably regarded as a 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

LETTER FROM GRAM CAPITAL

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, 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.

LETTER FROM GRAM CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the New 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 2019 as extracted from the Company's annual report for the year ended 31 December 2019 (the "2019 Annual Report") and for the six months ended 30 June 2020 as extracted from the Company's interim report for the six months ended 30 June 2020 (the "2020 Interim Report"):

	For the six months ended 30 June 2020	For the year ended 31 December 2019	For the year ended 31 December 2018	Change from 2018 to 2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>%</i>
	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>	
Revenue	25,493	71,274	61,742	15.44
— <i>Provision of property management services</i>	6,888	15,474	18,272	(15.31)
— <i>Sales of properties held for sale</i>	<i>Nil</i>	16,165	<i>Nil</i>	<i>N/A</i>
— <i>Gross rentals from investment properties</i>	18,605	39,635	43,470	(8.82)
Gross profit	19,602	41,444	46,289	(10.47)
Profit attributable to equity shareholders of the Company	13,875	37,281	36,554	1.99

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	As at 30 June 2020	As at 31 December 2019	As at 31 December 2018	Change from 2018 to 2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>%</i>
	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>	
Cash and cash equivalents	204,012	201,258	181,311	11.00

As illustrated in the above table, the Group's revenue amounted to approximately RMB71.27 million for the year ended 31 December 2019 ("FY2019"), representing an increase of approximately 15.44% as compared with that for the year ended 31 December 2018 ("FY2018"). With reference to the 2019 Annual Report, such increase was mainly due to the non-recurring revenue from sales of the residential properties in FY2019. The Group recorded profit attributable to equity shareholders of the Company of approximately RMB37.28 million for FY2019, representing an increase of approximately 1.99% as compared with that for FY2018. With reference to the 2018 Annual Report, such increase was primarily due to the increase in other net income as a result of the Group's receipt of a one-time non-recurring income and decrease in distribution costs and administrative expenses.

As at 30 June 2020, the Group had cash and cash equivalents of approximately RMB204.01 million.

With reference to the 2019 Annual Report, to uphold the standard of the property management business and market competitiveness, the Group will enhance the strategic advantages by flexibly adjusting its existing strategies for commercial leases and ameliorating its overall risk management. The Group will strive to uphold the excellent and stable relationship with its long-term customers to assure certain and substantial recurring income, operating profits plus high occupancy rates. Meanwhile, the Group will continue to develop a strong cooperation development policy with China Everbright, utilise the synergy effects in identifying quality investment projects in China and effectively connect to its potential customers.

With reference to the 2020 Interim Report, the Group will maintain a rational property investment strategy, continue to identify commercial buildings with long-term growth potential and rental value, and seize opportunities to expand the property management market.

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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 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 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.

Reasons for and benefits of the CCTs

Lease

With reference to the Board Letter, the Group is principally engaged in property leasing. On the other hand, members of Everbright Group require office space in these areas to operate their businesses. As disclosed in the 2020 Interim Report, 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 2019. 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 such vacant 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 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

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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: (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.

Deposit Services

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. 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 interest 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.

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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 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 because it is the market practice to enter into long-term loans for more than three years to finance acquisitions of sizeable commercial properties.

Having considered (i) the Lease is conducted under the Group's principal business; (ii) that the Deposits Services and the Loan Services are required for the Group's business operation; 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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2. Principal terms of the New Framework Agreements

New Lease Framework Agreement

Principal terms of the New Lease Framework Agreement are set out 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 Premises to Everbright Group, and China Everbright shall lease and procure members of Everbright Group to lease 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 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.

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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 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 an existing Lease with CE Bank (on a random basis from two existing Leases with Everbright Group) (i.e. a lease agreement executed on 31 December 2019 and 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 “**Existing Lease Comparables**”). The Directors advised us that the leasing information of the Existing 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 Existing Lease Comparables.

With reference to the 2019 Annual Report and as confirmed by the Directors, the independent non-executive Directors have reviewed, amongst others, the Lease for FY2019 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 2019 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 Lease for FY2019 in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial

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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 New 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 rents for the Lease.

As aforementioned, we obtained from the Company leasing information of an existing Lease with CE Bank and the leasing information of the Lease Comparables for the Company’s purpose of assessing the rents offered to CE Bank. We also obtained 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 New 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.

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In considering whether it is normal business practice for agreements of similar nature (i.e. lease of commercial property) to the New Lease Framework Agreement with duration of more than three years, we identified six transactions (the “**Market Lease Comparables**”) entered into and announced by companies listed on the Stock Exchange, during the period from 1 September 2019 up to the date of New Lease Framework Agreement (being a period of approximately 1 year which is a commonly adopted reference period to reflect recent market practice), involving leasing of properties with duration of more than three years. We noted from those announcements that the terms of lease ranged from 4 years to 12 years.

The table below illustrates the details of the Market Lease Comparables which we found on a best effort basis according to the selection criteria as set out above:

Date of announcement	Company name (stock code)	Role of listco or its subsidiary	Nature of respective lease	Term of respective lease (approximate year)
4 September 2019	China Environmental Resources Group Limited (1130)	Lessee	For operation of business and commercial activities	10
7 February 2020	Yanzhou Coal Mining Company Limited (1171)	Lessor	For hotel/auxiliary commerce/office	9.8
28 April 2020	Golden Century International Holdings Group Limited (91)	Lessee	For office	4
13 May 2020	Kingmaker Footwear Holdings Limited (1170)	Lessor	For factories, offices and apartments	12
18 May 2020	Oriental Watch Holdings Limited (398)	Lessee	For retail outlet	5
8 July 2020	AEON Stores (Hong Kong) Co., Limited (984)	Lessee	For operating retail businesses	11

Source: *The Stock Exchange website*

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In addition, we also noted various transactions (such as the transactions set out below) entered into and announced by companies listed on the Stock Exchange, during the period from 1 September 2019 up to the date of New Lease Framework Agreement, involving leasing of properties with duration of three years or less (it is not practical and meaningful to demonstrate an exhaustive list of properties leasing with duration of three years or less but the following findings are sufficient to serve as a further reference):

Date of announcement	Company name (stock code)	Role of listco or its subsidiary	Nature of respective lease	Term of respective lease (approximate year)
17 December 2019	HM International Holdings Limited (8416)	Lessee	For office	3
29 April 2020	Century Legend (Holdings) Limited (79)	Lessee	For operating guesthouse business	3
2 June 2020	Minmetals Land Limited (230)	Lessor	For office	2
30 June 2020	Ajisen (China) Holdings Limited (538)	Lessee	For office	3
18 August 2020	MS Concept Limited (8447)	Lessee	For the operation of restaurant	3

As illustrated above, it is not uncommon for companies listed on the Stock Exchange to lease out/lease commercial property with duration of more than three years. In addition, we also obtained and reviewed five properties lease agreements (on a random basis) which are similar in nature to the New Lease Framework Agreement entered into between the Company and independent third parties in 2004, 2017, 2019 and 2020 with terms ranged from 5 years to 20 years.

Taking into account:

- (i) our assessment on the reasons for the duration of the New Lease Framework Agreement to be longer than three years as set out above;
- (ii) that it is not uncommon for companies listed on the Stock Exchange to lease out/lease commercial property with duration of more than three years; and

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(iii) that the Company also entered into properties lease agreements with terms ranged from 5 years to 20 years which are similar in nature to the New Lease Framework Agreement, with independent third parties,

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

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

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

	For the year ended 31 December 2017 <i>RMB'000</i>	For the year ended 31 December 2018 <i>RMB'000</i>	For the year ended 31 December 2019 <i>RMB'000</i>
Aggregate rental income (including rents and other fees) received by the Group from Everbright Group	6,177	6,289	6,352
Annual caps	7,000	7,000	7,000
Utilisation rate (%)	88.24	89.84	90.74

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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

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

As depicted from the above table, the utilisation rates of the annual caps for FY2018 and FY2019 were approximately 89.84% and 90.74% respectively.

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 Leases as defined below) during the ten years ending 31 December 2029. Approximately RMB5.4 million (including RMB2.2 million buffer for additional property management services) of the annual Lease Cap at maximum is reserved to cater for these potential additional Leases.

For our due diligence purpose, we obtained draft lease agreements and draft property management agreements to be entered into between a Company’s subsidiary and a branch CE Bank in relation to the potential additional Leases for commercial properties in Chengdu, Sichuan Province, the PRC (the “**Potential Chengdu Leases**”). Based on the Lease Caps Calculation, the Potential Chengdu Leases require approximately RMB3.2 million of the annual Lease Cap at maximum.

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With reference to the Board Letter, a buffer has been included for the unexpected amount of property management services which may be requested by Everbright Group under the new Lease Agreements. For our due diligence purpose, we obtained from the Company historical payment record in relation to additional property management services provided to the previous tenant of the subject properties under the Potential Chengdu Leases and noted that the aggregated payment for such additional property management services exceeded RMB2 million in FY2018 (the previous tenant ceased to lease the subject properties from March 2019). Accordingly, we consider the buffer of approximately RMB2.2 million to be justifiable.

Having considered the above, we consider that the Lease Caps of RMB14 million per annum for the ten years ending 31 December 2029 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.

New Deposit Service Framework Agreement

Principal terms of the New Deposit Service Framework Agreement are set out 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.

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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 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.

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 FY2019 (the "**Deposit List(s)**"). We randomly selected two Connected Deposit Balances (one HK\$ and one RMB) from the Deposit List in FY2018 (being the first year when the Company is listed on the Stock Exchange), four Connected Deposit Balances (two HK\$ and two RMB) from the Deposit List for FY2019 and the Company provided us the deposit records on the selected Connected Deposit Balances, 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 2019 Annual Report and as confirmed by the Directors, the independent non-executive Directors have reviewed, amongst others, the Deposit Services for FY2019 and 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 Deposit Services for FY2019 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 Deposit Services.

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In order to ensure that the pricing policy in each of the New 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 Deposit Services.

For our due diligence purpose, we obtained a set of documents on a random basis (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 in 2019. 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 annual caps of the Deposit Services for the three years ended 31 December 2019 are set out as follows:

	For the year ended 31 December 2017 <i>RMB'000</i>	For the year ended 31 December 2018 <i>RMB'000</i>	For the year ended 31 December 2019 <i>RMB'000</i>
Maximum daily balance of deposits (including interests accrued thereon) placed by the Group with CE Bank	28,939	47,257	45,625
Annual caps	63,000	63,000	63,000
Utilisation rate (%)	45.93	75.01	72.42

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

	For the year ending 31 December 2020 <i>RMB'000</i>	For the year ending 31 December 2021 <i>RMB'000</i>	For the year ending 31 December 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

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

With reference to the 2019 Annual Report, the Group’s cash and cash equivalents amounted to approximately RMB181 million as at 31 December 2018 and approximately RMB201 million as at 31 December 2019. Nevertheless, the Deposit Caps for the two years ended 31 December 2019 were not fully utilised. Having considered that the Group is considering to further 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 RMB46 million (which is comparable to the maximum daily balance of deposits (including interests accrued thereon) placed by the Group with CE Bank in FY2018 and FY2019).

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.

New Loan Service Framework Agreement

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

Date: 2 November 2020

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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.

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As the Group did not utilise any Loan Services for the three years ended 31 December 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 New 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 on a random basis (including quotations from CE Bank and other independent banks and internal report prepared based on the said quotations in 2018) 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 New 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 long-term loans to finance acquisitions of properties can ease the financial burden of and provide more flexibility to the Group.

As advised by the Directors, members of the Group may obtain Loan Services from CE Bank branches in Hong Kong and the PRC.

In considering whether it is normal business practice for agreements of similar nature (i.e. loan facilities obtained from banks/financial institutions) with the New Loan Service Framework Agreement with term of more than three years, we researched over the internet and noted from the websites of (i) HSBC Holdings plc (stock code: 5), Hang Seng Bank Limited (stock code: 11), The Bank of East Asia, Limited (stock code: 23) and Standard Chartered PLC (stock code: 2888) (being major commercial banks in Hong Kong); and (ii) Bank of China Limited (stock code: 3988), China Construction Bank Corporation (stock code: 939), Industrial and Commercial Bank of China Limited (stock code: 1398) and Agricultural Bank of China Limited (stock code: 1288) (being major commercial banks in the PRC), that they offer mortgage loan tenors up to 30 years.

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We also conducted research on borrowings of companies listed on the Stock Exchange which are engaged in similar line of business as the Company's major business, being property leasing business (and not as a property developer), and derived a majority of their turnover/revenue from such business based on their respective latest annual financial information ("Comparable Companies") (the list of Comparable Companies below is exhaustive based on our selection criteria). We noted from the Comparable Companies' latest published annual reports that their borrowings were repayable over a period of time (from their respective year-end date) as set out below:

Company name (stock code)	Principal businesses	Year-end date	Borrowings repayable (year)
Associate International Hotels Limited (105)	Property businesses. The main businesses of the company include the investment and leasing of commercial, office and industrial properties.	31 March 2020	After 1 year but within 2 years
Pioneer Global Group Limited (224)	Property businesses. The company operates through (i) property and hotels segment; and (ii) investment and others segment.	31 March 2020	Within 1 to 2 years
Pokfulam Development Company Limited (225)	Property businesses, goods trading and securities investment.	30 September 2019	Within 1 year
Tian Teck Land Limited (266)	Investment in industrial and commercial properties for rental.	31 March 2020	After 1 year but within 2 years
Tern Properties Company Limited (277)	Property businesses. The company operates through property investment segment and treasury investment segment.	31 March 2020	From within 1 year to more than 5 years
Paladin Limited (495)	Property investment.	30 June 2020	From within 1 year to more than 5 years
Wing Lee Property Investments Limited (864)	Property investment.	31 December 2019	Within 1 to 5 years

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Company name (stock code)	Principal businesses	Year-end date	Borrowings repayable (year)
Thing On Enterprise Limited (2292)	Property investment and management. The company mainly provides office, retail and industrial properties leasing and in the property management business.	31 December 2019	Within 1 year
Xinji Shaxi Group Co., Ltd (3603)	Operation of shopping malls for hospitality supplies.	31 December 2019	From within 1 year to more than 5 years

Source: The Stock Exchange website

As depicted from the above table, it is not uncommon for the Comparable Companies to have borrowings repayable in a period of 5 years or more.

In addition, the Company also randomly provided and we reviewed three loan agreements (for the purpose of property-related equipment/facilities purchase, property renovation or loan repayment) entered into between the Company and independent third parties (i.e. banks) in 1998 and 2010 with terms ranged from 5 years to 12 years.

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

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

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

	For the year ended 31 December 2017 RMB'000	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2019 RMB'000
Maximum daily balance of loans provided by CE Bank to the Group	Nil	Nil	Nil
Annual caps	300,000	300,000	300,000
Utilisation rate (%)	Nil	Nil	Nil

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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 “3. New Loan Service Framework Agreement — Proposed annual caps” of the Board Letter.

Although the Group did not utilise any Loan Services for the three years ended 31 December 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 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.

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 Premises as at 31 December 2019 ranged from approximately RMB191 million to RMB368 million. Accordingly, the target purchase prices of the Potential Acquisitions are comparable with the valuations of the Premises as at 31 December 2019. Furthermore, we obtained a list of the Potential Acquisitions and noted that the minimum offer price (excluding value-added tax) of the Potential Acquisitions exceeds RMB180 million, which indicates the possible demand for Loan Services for the five years ending 31 December 2024.

Should the Potential Acquisitions materialise, the Loan Caps of RMB200 million per annum for the five years ending 31 December 2024 are required to finance the Potential Acquisitions.

With reference to the Board Letter, 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

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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. In the event that the Company identifies any suitable insolvent property investment opportunity, Loan Services of not more than RMB150 million may be obtained by the Group for financing the acquisition of such property investment.

For our due diligence purpose, we obtained proposals for insolvent property investments from the Company and noted that the minimum potential purchase price of such insolvent property investments exceeds RMB200 million. Accordingly, we consider that the Loan Caps of RMB150 million per annum for the five years ending 31 December 2024 are required to finance the acquisition of such property investments.

Accordingly, we consider that the Loan Caps for the five years ending 31 December 2024 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.

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 New Framework Agreements; (ii) the terms of the New Framework Agreements must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the New 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 New Framework Agreements, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

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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 New 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 25 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, or as otherwise notified to the Company and the Stock Exchange were as follows:

Name	Notes	Capacity	Number of ordinary Shares interested	Approximately percentage of interest
Lucky Link Investments Limited (“ Lucky Link ”)	1	Beneficial owner	297,900,000	67.49%
Top Charm Investments Limited (“ Top Charm ”)	1	Beneficial owner	33,100,000	7.50%
Capital Century Company Limited (“ Capital Century ”)	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. (“ Huijin ”)	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 the Directors, are also directors of Lucky Link, Top Charm and Capital Century. Ms. Tse Hang Mui and Mr. Li Yinzong, being the 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 Yinzong, being the 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 63.16% 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 2019 (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 2019 (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:

Name	Qualification
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 2019 (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 of 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 New Lease Framework Agreement;
- (b) the New Deposit Service Framework Agreement;
- (c) the New Loan Service 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 31 to 32 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 33 to 58 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.

NOTICE OF EGM



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, Wan Chai, Hong Kong on Thursday, 26 November 2020 at 3:00 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 November 2020 (the “**Circular**”):

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the execution of the New 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 New Lease Framework Agreement and its proposed annual caps and completing the transactions contemplated thereunder.”

2. “**THAT**

- (a) the execution of the New 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

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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 New Deposit Service Framework Agreement and its proposed annual caps and completing the transactions contemplated thereunder.”

3. **“THAT**

- (a) the execution of the New 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
- (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 New Loan Service Framework Agreement and its proposed annual caps and completing the transactions contemplated thereunder.”

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

Hong Kong, 10 November 2020

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.
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 deposited at the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s

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Road East, Hong Kong not less than 48 hours before the time appointed for the above meeting (i.e. not later than 3:00 p.m. on Tuesday, 24 November 2020) or the adjourned meeting (as the case may be). 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 November 2020 to Thursday, 26 November 2020, 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 November 2020.
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 November 2020.
6. References to time and dates in this notice are to Hong Kong time and dates.