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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
LEASE AGREEMENT**

The Board announces that on 31 December 2019, Brighter Win as lessor and CE Bank as lessee entered into the Lease Agreement, pursuant to which Brighter Win agreed to lease the Premises to CE Bank for a term of 10 years commencing from 1 January 2020 and ending on 31 December 2029.

As at the date of this announcement, CE Bank is a subsidiary of China Everbright, which is the controlling shareholder of the Company holding approximately 74.99% of the Shares. Accordingly, CE Bank is a connected person of the Company. As such, the entering into of the Lease Agreement constitutes a continuing connected transaction 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 highest annual cap of the transactions to be contemplated under the Lease Agreement exceeds 5% but all are less than 25%, and highest annual cap is less than HK\$10,000,000, the transactions to be contemplated under the Lease Agreement are subject to the reporting, announcement and annual review requirements but are exempt from circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since the term of the Lease Agreement exceeds three years, pursuant to Rule 14A.52 of the Listing Rules, Gram Capital has been appointed as an independent financial adviser to explain why the Lease Agreement requires a longer period and to confirm that it is normal business practice for agreements of these types to be of such duration.

1. BACKGROUND

Reference is made to the section headed “Connected Transactions” in the prospectus of the Company dated 29 December 2017 in relation to the lease agreements entered into between Brighter Win and CE Bank, which will expire on 31 December 2019.

The Board announces that on 31 December 2019, Brighter Win as lessor and CE Bank as lessee entered into the Lease Agreement, pursuant to which Brighter Win agreed to lease the Premises to CE Bank for a term of 10 years commencing from 1 January 2020 and ending on 31 December 2029.

2. LEASE AGREEMENT

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

Date:	31 December 2019
Parties:	(i) Brighter Win (as lessor); and (ii) CE Bank (as lessee).
Premises:	Floors one to four of Ming Chang Building, with an aggregate gross floor area of 10,836.73 square metres
Use:	Office premises
Term:	10 years commencing from 1 January 2020 and ending on 31 December 2029 (both days inclusive)
Renewal and Purchase:	CE Bank has pre-emptive right to renew and/or purchase the Premises

Rent (inclusive of tax): Details of the rent (inclusive of tax) for each year during the term are set out below:

- RMB6,496,314.00
(from 1 January 2020 to 31 December 2020)
- RMB6,496,314.00
(from 1 January 2021 to 31 December 2021)
- RMB6,691,203.42
(from 1 January 2022 to 31 December 2022)
- RMB6,691,203.42
(from 1 January 2023 to 31 December 2023)
- RMB6,891,939.52
(from 1 January 2024 to 31 December 2024)
- RMB6,891,939.52
(from 1 January 2025 to 31 December 2025)
- RMB7,098,697.70
(from 1 January 2026 to 31 December 2026)
- RMB7,098,697.70
(from 1 January 2027 to 31 December 2027)
- RMB7,311,658.62
(from 1 January 2028 to 31 December 2028)
- RMB7,311,658.62
(from 1 January 2029 to 31 December 2029)

Payment term: The total annual rent shall be paid and settled by CE Bank on the first day of each year during the term of the Lease Agreement

The pricing policy for the rent payable by CE Bank to Brighter Win under the Lease Agreement shall: (i) be determined based on arm's length negotiations between CE Bank and Brighter Win with reference to the prevailing market rent in the places where the Premises are located; (ii) not be lower than rent to be paid by independent third parties; and (iii) be in compliance with the rules and regulations prescribed by the relevant rules and regulations within or outside the PRC.

3. ANNUAL CAPS

Historical figures

The following table sets out the historical figures in connection to the leasing of the Premises between CE Bank and Brighter Win:

	For the year ended 31 December		
	2017 (RMB'000)	2018 (RMB'000)	2019 (RMB'000) (unaudited)
Aggregate rental income (including tax) received by the Group from CE Bank	5,342	5,453	5,798

Annual caps

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

	For the year ending 31 December									
	2020 (RMB'000)	2021 (RMB'000)	2022 (RMB'000)	2023 (RMB'000)	2024 (RMB'000)	2025 (RMB'000)	2026 (RMB'000)	2027 (RMB'000)	2028 (RMB'000)	2029 (RMB'000)
Aggregate rental income (including tax) to be received by Brighter Win from CE Bank	6,500	6,500	6,700	6,700	6,900	6,900	7,100	7,100	7,400	7,400

The above annual caps have been determined with reference to the annual rent payable by CE Bank to Brighter Win under the Lease Agreement which is set according to (i) the increase in market rental for commercial properties in the PRC in 2020; (ii) the rental increment of approximately 3% for every two years from 2022 to 2029; (iii) the historical rental adjustments; and (iv) the expectation that CE Bank will continue to lease the Premises.

4. REASONS FOR AND BENEFITS OF THE LEASE AGREEMENT

The Board noted that the resolution approving the lease framework agreement between China Everbright and the Company dated 7 November 2019 in respect of the leasing of the premises owned by the Group to members of Everbright Group was not passed at the extraordinary general meeting of the Company held on 30 December 2019. However, the Group is principally engaged in the businesses of property leasing in the PRC and, through Brighter Win, owns the Premises, which are located in Kunming, Yunnan province. On the other hand, CE Bank, which has been the tenant of the Group since its acquisition of the Premises in 1997, requires office space in Kunming, Yunnan province to operate its businesses. As the terms of the Lease Agreement are no less favourable to the Group than terms available from independent third parties, it is beneficial to the Group to lease the Premises to CE Bank, and such lease arrangement can optimise the Group's operation by seeking business cooperation with existing customers (including CE Bank as a tenant of the Group), which can facilitate the business development of the Group. As such, the Directors are of the view that the leasing of the Premises to CE Bank is in line with the Group's leasing business.

The Directors are of the view that it is reasonable for the term of the Lease Agreement (including the pre-emptive right) 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 premises to independent third parties and members of (including CE Bank) Everbright Group in the PRC;
- (iii) it will provide the Group with stable rental income without interruption to its business operations because Brighter Win can lease the Premises to CE Bank for a longer period, thus reducing the Group's burden to identify new tenants after expiration of leases; and
- (iv) in respect of the pre-emptive right to renew and/or purchase, it is easier for the landlord to secure a tenancy with an anchor tenant with the grant of such pre-emptive right.

Please refer to the section headed "Opinion from Gram Capital" below for advice from Gram Capital in relation to its view on the duration of the Lease Agreement.

In light of the above, the terms of the Lease Agreement are arrived at after arm's length negotiations between Brighter Win and CE Bank. The Directors (including the independent non-executive Directors) are of the view that the transactions to be contemplated under the Lease Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group, and the terms of the Lease Agreement and its proposed annual caps are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

5. IMPLICATIONS UNDER THE LISTING RULES

China Everbright is the holder of 100% of the issued share capital of China Everbright Holdings Company Limited, which in turn directly holds approximately 99.997% shares in Capital Century Company Limited (0.3% of which is held on trust for the National Administrative Bureau of Stated Owned Property) and indirectly holds 0.003% shares in Capital Century Company Limited through China Everbright Holdings (Nominee) Limited. Capital Century Company Limited indirectly held 331,000,000 Shares (representing approximately 74.99% of the issued Shares) through Lucky Link Investments Limited and Top Charm Investments Limited as at the date of this announcement. Accordingly, China Everbright is a controlling shareholder of the Company, and thus CE Bank, being a subsidiary of China Everbright, is a connected person of the Company. As such, the entering into of the Lease Agreement constitutes a continuing connected transaction 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 highest annual cap of the transactions to be contemplated under the Lease Agreement exceeds 5% but all are less than 25%, and the highest annual cap is less than HK\$10,000,000, the transactions to be contemplated under the Lease Agreement are subject to the reporting, announcement and annual review requirements but are exempt from circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Directors has any material interest in the transactions contemplated under the Lease Agreement. 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 Lease Agreement.

6. OPINION FROM GRAM CAPITAL

Since the term of the Lease Agreement exceeds three years, pursuant to Rule 14A.52 of the Listing Rules, Gram Capital has been appointed as an independent financial adviser to explain why the Lease Agreement requires a longer period and to confirm that it is normal business practice for agreements of these types to be of such duration.

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

(i) Usual practice

The Directors advised Gram Capital 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 owned by the Group to independent third parties and members of Everbright Group in the PRC.

(ii) Long-term rental income

The leases under the Lease Agreement will provide the Group with stable rental income without interruption to its business operations because Brighter Win can lease the Premises to CE Bank for a longer period, thus reducing the Group's burden to identify new tenants after expiration of leases.

In considering whether it is normal business practice for lease agreements of similar nature (i.e. lease of commercial property) to the Lease Agreement to have a term of such duration, Gram Capital identified seven transactions entered into and announced by companies listed on the Stock Exchange, during the period of one year prior to the date of Lease Agreement, involving leasing of properties with duration of more than three years. Gram Capital noted from those announcements that the terms of lease ranged from 5 to 10 years. In addition, Gram Capital also reviewed three properties lease agreements which are similar in nature (i.e. lease of premises owned by the Group) to the Lease Agreement entered into between the Company and independent third parties with terms of 5 years and 20 years.

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

7. INFORMATION ON THE PARTIES

Brighter Win is primarily engages in the operation of property leasing activities in Ming Chang Building and an indirect wholly-owned subsidiary of the Company.

CE Bank is one of the major commercial banks in the PRC and primarily engages in the commercial banking business, including retail banking, corporate banking and treasury operation, etc. CE Bank is a subsidiary of China Everbright due to consolidation of its financial statements into those of China Everbright. 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.

8. INTERNAL CONTROL MEASURES

In order to ensure that the pricing policy in the Lease Agreement 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 Agreement by comparing the terms between CE Bank 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 CE Bank are no less favourable than the terms quoted by such two other independent third parties;
- (ii) the finance department of the Company shall be responsible for monitoring and collecting the actual transaction amounts under the Lease Agreement on a regular basis so to ensure that the aggregate rental income received by Brighter Win from CE Bank 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 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;
- (iii) the internal control department and relevant personnel of the Company shall monitor and ensure all transactions contemplated under the Lease Agreement are entered into on normal commercial terms or better, are fair and reasonable, and are carried out pursuant to the terms of the Lease Agreement;

- (iv) the independent non-executive Directors will review the transactions to be entered into pursuant to the Lease Agreement 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 Lease Agreement; and
- (v) the auditor of the Company will conduct an annual review on the pricing and annual caps of the continuing connected transactions under the Lease Agreement.

9. DEFINITIONS

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

“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: 6818) 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 our Company
“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
“connected person(s)”	has the meaning ascribed to it under Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Everbright Group”	China Everbright and its subsidiaries and associates (other than the Group)
“Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and being the independent financial adviser the Company in respect of the duration of the Lease Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Lease Agreement”	the lease agreement dated 31 December 2019 entered into between Brighter Win as lessor and CE Bank as lessee
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“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
“PRC” or “China”	the People’s Republic of China but excluding, for the purposes of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

“Premises”	Floors one to four of Ming Chang Building
“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
“%”	per cent.

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

Hong Kong, 31 December 2019

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