



CHINA EVERBRIGHT LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 165)

DISCLOSEABLE TRANSACTION ACQUISITION OF ALL OF THE ISSUED AND OUTSTANDING SHARES OF BURKE E. PORTER MACHINERY COMPANY

The Board is pleased to announce that on 21 October 2014, after trading hours, Everbright Global and the Sellers, joined by the members of the BEP Group, entered into the Stock Purchase Agreement for the Acquisition.

The Stock Purchase Agreement contains all of the terms and conditions for the Acquisition which are negotiated on an arm's length basis between Everbright Global and the Sellers. The purchase price (before adjustment) is US\$90.0 million (equivalent to HK\$702.0 million). The Closing is expected to take place not later than 31 January 2015.

As part of the business strategy of the Group, the Group is proactively seeking suitable investment opportunities from time to time overseas and in various industries. The Acquisition provides a strategic investment opportunity to the Group. The Directors (including the independent non-executive Directors) consider that the terms of the Stock Purchase Agreement are on normal commercial terms and are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

Based on the purchase price for the Acquisition (before adjustments), one of the relevant applicable percentage ratios set forth under Rule 14.07 of the Listing Rules exceeds 5% but all of the applicable percentage ratios are far below 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Directors expect that the adjustments to the purchase price pursuant to the Stock Purchase Agreement would not result in the adjusted purchase price for the Acquisition to be more than 25% of any of the applicable percentage ratios set forth under Rule 14.07 of the Listing Rules. The Company will issue an announcement immediately after the Closing and will include further information on the implications under the Listing Rules.

BACKGROUND INFORMATION

The Board is pleased to announce that on 21 October 2014, after trading hours, Everbright Global and the Sellers, joined by the members of the BEP Group, entered into the Stock Purchase Agreement for the proposed acquisition by Everbright Global of the issued and outstanding shares of BEP. The Acquisition constitutes a discloseable transaction (as such term is defined under the Chapter 14 of the Listing Rules) for the Company. Further information on the implications of the Acquisition

under the Listing Rules is set forth in the paragraphs under “Implications under the Listing Rules” below.

PRINCIPAL TERMS OF THE STOCK PURCHASE AGREEMENT

The Stock Purchase Agreement contains all of the terms and conditions for the Acquisition which are negotiated on an arm’s length basis between the Buyer and the Sellers. A summary of the principal terms and conditions is set forth below:-

- Date: 21 October 2014, after trading hours
- Parties:
- (a) Everbright Global as the initial Buyer, and it may nominate its affiliates acting as the Buyer for the Closing; and
 - (b) the Sellers as the sellers of all of the issued and outstanding shares of BEP.

To the best knowledge, information and belief of the Directors, and having made all reasonable enquiries, each of the parties to the Stock Purchase Agreement and their ultimate beneficial owner(s) (other than the Buyer) is a third party independent of and not connected with the Company and its connected persons (as defined in the Listing Rules) as of the date of this announcement.

Assets to be acquired: The assets to be acquired by the Buyer consist of all of the issued and outstanding shares of BEP. The Buyer, however, may agree to an alternative equity “rollover” arrangement with particular Sellers prior to Closing in lieu of acquiring the Rollover Shares. Following the Closing, BEP and all other members of the BEP Group will become subsidiaries of the Buyer which is a wholly-owned subsidiary of the Company.

Purchase price: The purchase price (including the adjustments thereto) was negotiated between the Buyer and the Sellers on an arm’s length basis primarily with reference to mid-size private transactions’ valuation in the US.

Subject to the adjustments set forth below, the purchase price for all of the issued and outstanding shares of BEP other than the Rollover Shares will be US\$90.0 million (equivalent to HK\$702.0 million) plus net cash balance and the adjustments reflecting the actual net working capital of the members of the BEP Group and the underfunded liabilities relating to the retirement plan of BEP, both as of the Closing Date.

On the Closing Date, the adjusted purchase price will be settled by the Buyer in cash with the balance of US\$1.0 million (equivalent to HK\$7.8 million) (the “**Escrow Amount**”) to be deposited into an escrow account subject to the terms and conditions of the Escrow Agreement.

The Sellers and Buyer agree that if the cash payment at Closing would exceed US\$105 million (equivalent to HK\$819 million), the Sellers would use their commercially reasonable efforts to cause BEP to make a distribution of cash payable as pre-Closing dividend to the Seller in an amount such that the cash payment at Closing will be less than US\$105.0 million (equivalent to HK\$819.0 million).

The adjustments to the purchase price shall be determined within 60 days after the Closing Date and shall be settled within three days following such determination.

The Directors (including the independent non-executive Directors) confirm that purchase price (and the adjustments thereto) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conduct of
business pending
the Closing:

The Sellers are required to use their commercially reasonable efforts to cause each member of the BEP Group to conduct its business operations and affairs in its ordinary course of business and exercise commercially reasonable efforts to preserve intact its business organisation, personnel, customer and supplier relationships and goodwill, except for those matters set forth in the Stock Purchase Agreement or otherwise approved by the Buyer.

Conditions
precedent and
deliverables at the
Closing:

The Closing is conditional upon fulfilment of, among other things, the following conditions:-

- (a) the representations and warranties given by the Buyer and the Sellers under the Stock Purchase Agreement remaining accurate as of the date of the Stock Purchase Agreement and the Closing Date;
- (b) the waiting period under the US Hart-Scott Rodino Antitrust Improvements Act of 1976 have expired or terminated;
- (c) there has been no material adverse effect (as defined in the Stock Purchase Agreement) on the Acquisition;

- (d) all other obligations and covenants on the part of the Sellers prior to Closing have been duly performed or complied with in all material respects;
- (e) the CFIUS has not taken action to block or prevent the consummation of the transactions contemplated;
- (f) the pre-notification period required under the ITAR has expired; and
- (g) the Sellers have caused the BEP Group to pay to its employees the Pre-Closing Employee Bonus Payments.

The Closing is expected to take place not later than 31 January 2015. At the Closing, the Buyer shall:-

- (a) pay to the Sellers the purchase price (before adjustments) in US dollars to the bank account of the Sellers; and
- (b) deposit the Escrow Amount pursuant to the terms and conditions of the Escrow Agreement.

At the Closing, each Seller shall deliver or cause to be delivered to the Buyer, amongst other items which are customary for a share sale and purchase transaction for a company incorporated in the US and in the jurisdictions in which the relevant members of the BEP Group are established, the following documents:-

- (a) written resolutions of the governing body of each Seller confirming the authorisation and due execution of the Stock Purchase Agreement and the Escrow Agreement and such other agreements as agreed by the Buyer and the Sellers; and
- (b) such other documents and certificates as agreed from time to time by the Buyer and the Sellers for the purpose of completing the Acquisition.

Indemnification:

The Sellers shall indemnify the Buyer and its affiliates from and against, and agree to hold each of them harmless from, any and all damage, loss, liability and expense incurred or suffered by the Buyer and its affiliates arising from (a) any breach of a representation, warranty or covenant made or to be performed by Sellers or the adverse consequence arising therefrom and (b) any tax liability before Closing on the part of BEP and other members of the BEP Group.

The indemnity amount agreed between the Buyer and the Sellers in the Stock Purchase Agreement is fixed, but it will not apply to the actual fraud on the part of the Sellers. In any event, the Sellers will not have liability under the Stock Purchase Agreement to be more than the amount of the purchase price (as adjusted) received by them.

Both the Buyer and the Sellers have also agreed using insurance coverage for the Sellers' representations and warranties. The parties agree that the insurance will not be less than 10.0% of the purchase price (before adjustment) i.e. US\$9.0 million (equivalent to HK\$70.2 million).

Termination: The Stock Purchase Agreement may be terminated by the Buyer or the Sellers if:-

- (a) there is a breach of the condition in the Stock Purchase Agreement on the part of one party which has not been waived by the other party,
- (b) the Closing has not occurred on or before 31 January 2015, subject to an extension to 28 February 2015 if the Closing has not occurred solely due to the failure to satisfy the conditions in relation to the CFIUS and/or the ITAR or
- (c) any competent government body issues a final and non-appealable order prohibiting the consummation of the transactions contemplated under the Stock Purchase Agreement.

Governing law and dispute resolution: The law of the State of Michigan with the exclusive jurisdiction of the state or federal courts located in Kent County, Michigan.

INFORMATION ON THE BEP GROUP AND THE SELLERS

The BEP Group was established in 1953 and is engaged in design, manufacturing and distribution of automotive testing equipment and precision machined products for the worldwide automotive manufacturing market. BEP is headquartered in the State of Michigan. Over the years, the BEP Group has been one of the leading companies in the development and manufacturing of vehicle testing systems. The BEP Group has established its reputation for innovation in automotive and heavy-duty vehicle testing. In addition to the roll-brake test systems, the BEP Group is also specialised in a number of automotive testing systems and equipment, such as vehicle alignment systems, buzz-squeak-rattle systems, noise and vibration testing systems for gearboxes, for the worldwide automotive manufacturing market.

The BEP Group is currently managed by the chief executive officer and the managing directors who are independent from the Sellers.

Based on the information provided by the Sellers, during the two years ended 31 March 2014, the net income after taxation of the BEP Group was US\$8.1 million (equivalent to HK\$63.2 million) and US\$7.0 million (equivalent to HK\$54.6 million), respectively. The net income before taxation of the BEP Group during the two years ended 31 March 2014 amounted to US\$10.6 million (equivalent to HK\$82.7 million) and US\$9.9 million (equivalent to HK\$77.2 million), respectively. During the same period, the gross profit margin of the BEP Group improved from 25.8% to 29.8% and the EBITDA (earnings before interest, tax, depreciation and amortisation) margin improved from 9.1% to 10.3%. The decrease in net income was partly due to the initiative of the BEP Group to refocus on the high margin businesses and partly due to the shipment of certain confirmed sales orders of the BEP Group has been deferred to the financial year ended 31 March 2015. The value of the consolidated total assets of the BEP Group as of 31 March 2014 amounted to US\$110.6 million (equivalent to HK\$862.7 million).

The ultimate beneficiaries of the Sellers are a group of private individuals whose ancestor was the founding shareholder of BEP. These private individuals will cease to have majority control of the board of directors of BEP following the Closing.

INFORMATION ON THE GROUP AND REASONS FOR AND BENEFIT OF THE ACQUISITION

The Group is principally engaged in the provision of financial services and persistently pursues the cross-border macro asset management strategy, with specific focus on fund management and investment business, namely, primary market investment, secondary market investment, structured financing and investment and aircraft leasing. As part of the business strategy of the Group, the Group is proactively seeking suitable investment opportunities from time to time overseas and in various industries. The Acquisition provides an attractive investment opportunity for the Group to develop its cross-border investment activities and will form the core part of the Group's global private equity and macro asset management initiatives. The Directors (including the independent non-executive Directors) consider that the terms of the Stock Purchase Agreement are on normal commercial terms and are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

The Group will be the controlling financial investor of the BEP Group. With the support from the Group, the BEP Group is expected to be well positioned to capture the growth opportunities in the provision of design, testing and precision engineering services to the automotive and other industrial segments in China and the rest of the world. The Group plans to continue to allow the BEP Group to be managed by its own management team following the Closing. The BEP Group is not principally engaged in the provision of financial services, and the Directors consider that the BEP Group should be run by its own professional management teams that would generate the best interest and value creation to the Group.

IMPLICATIONS UNDER THE LISTING RULES

Based on the purchase price for the Acquisition (before adjustments), one of the relevant applicable percentage ratios set forth under Rule 14.07 of the Listing Rules exceeds 5% but all of the applicable percentage ratios are far below 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Directors expect that the adjustments to the purchase price pursuant to the Stock Purchase Agreement would not result in the adjusted purchase price for the Acquisition to be more than 25% of any of the applicable percentage ratios set forth under Rule 14.07 of the Listing Rules. The Company will issue an announcement immediately after the Closing and will include further information on the implications under the Listing Rules.

DEFINITIONS USED IN THIS ANNOUNCEMENT

Unless the context requires otherwise, the capitalized terms used herein shall have the same meanings as set forth below:-

“Acquisition”	means the proposed acquisition by the Buyer of all of the issued and outstanding shares of BEP pursuant to the Stock Purchase Agreement;
“BEP”	means Burke E. Porter Machinery Company, a company incorporated in State of Michigan, the US;
“BEP Group”	means BEP and its wholly-owned subsidiaries incorporated or established outside the US, namely (a) BEP Wuxi Testing Equipment Co., (b) BEP Europe NV, (c) BEP Europe GmbH, (d) XL Machine Co., Inc., (e) BEPTECH, Inc., (f) Burke Porter UK Ltd., (g) BEP Korea TDC Co., Inc., (h) Burke Porter Automotive Systems, LLC and (i) Burke E. Porter Comercio E Industria Ltda;
“Board”	means the board of Directors;
“Buyer”	means Everbright Global or it may nominate its affiliates acting as the Buyer for the Closing;
“CFIUS”	means the Committee of Foreign Investment in the US;
“Closing”	means closing of the Acquisition;
“Closing Date”	means on the date on which the Closing takes place which is expected to be not later than 31

January 2015;

“Company”	refers to China Everbright Limited, a company incorporated under the laws of Hong Kong with limited liability with its shares listed on the Stock Exchange;
“Directors”	means directors of the Company;
“Escrow Agreement”	means the escrow agreement to be entered into between the Buyer and the Sellers and the escrow agent named therein;
“Everbright Global”	means Everbright Global Management Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company;
“Group”	means the Company and its subsidiaries;
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong;
“ITAR”	means the United States International Traffic in Arms Regulations;
“Listing Rules”	means The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Pre-Closing Employee Bonus Payments”	means the amount of the estimated aggregated annual bonus payments to the employees of the BEP Group for the fiscal year ending 31 March 2015 in pro rata portion calculated based on the number of days from and including 1 April 2014 through the Closing Date divided by 365 days;
“Rollover Shares”	means shares of BEP owned by the Sellers that are subject to the equity “rollover” arrangements as may be agreed by the Buyer and particular Sellers with respect to less than 5% of the issued and outstanding shares of BEP;
“Sellers”	means The Porter 2014 Irrevocable Trust, dated 16 October 2014, Margaret A. Beusse, Margaret A. Beusse Trust #38-6712154, Jeffrey H. Beusse, Heather Wynne Beusse Eberhardt, Blake Beusse, Sarah Jury, Sarah B. Jury Trust #386712155, Michael Jury Trust, dated 10 October 1987, as amended, Anne Griffith, Elizabeth Jury, David

DeBoer, Charles An, Ralph Palmer, Joseph Schmieder, and Kim Korth, being the owners of all of the issued and outstanding shares of BEP;

“Shareholder(s)”	means the shareholder(s) of the Company;
“Stock Purchase Agreement”	means the stock purchase agreement entered into between the Buyer and the Sellers, joined by the members of the BEP Group, on 21 October 2014 (US EST) for the Acquisition;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“US”	means the United States of America; and
“US\$”	means the US dollars, the lawful currency of the US.

By order of the Board
Chan Ming Kin Desmond
Company Secretary
China Everbright Limited

Hong Kong, 21 October 2014

Unless the context requires otherwise, the translations of US\$ into HK\$ in this announcement are based on the rate of HK\$1.0 = US\$7.8. No representation is made that any amount in HK\$ and US\$ can be or could have been converted at the relevant dates at this rate or any other rates at all. All time and dates referred to in this announcement are Hong Kong time and dates.

As at the date of this announcement, the directors of the Company are:

Executive Directors

Mr. Tang Shuangning (*Chairman*)
Dr. Liu Jun (*Deputy Chairman*)
Mr. Chen Shuang (*Chief Executive Officer*)
Mr. Tang Chi Chun, Richard
Mr. Jiang Yuanzhi

Non-executive Director

Mr. Wang Weimin

Independent Non-executive Directors

Mr. Seto Gin Chung, John
Dr. Lin Zhijun
Dr. Chung Shui Ming, Timpson