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CHINA EVERBRIGHT LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code: 165)

CONNECTED TRANSACTION DEEMED DISPOSAL OF EQUITY INTEREST IN CHINA EVERBRIGHT SENIOR HEALTHCARE COMPANY LIMITED

The Investment Agreement

The Board announces that on 29 November 2019, (a) Everbright Senior Healthcare, a wholly owned subsidiary of the Company, (b) Advance Hope, a wholly owned subsidiary of the Company, (c) Everbright Financial Holding, a wholly owned subsidiary of CE Group, (d) Sun Life Everbright, a non-wholly owned subsidiary of CE Group, (e) Everbright Industry, a wholly owned subsidiary of CE Group, (f) Everbright Industry Investment Fund, a limited partnership controlled by Everbright Industry and (g) Apex Shine entered into the Investment Agreement, pursuant to which the Investors agreed to subscribe for, and Everbright Senior Healthcare agreed to allot and issue, in each case subject to the fulfilment of certain conditions, all of the Subscription Shares at the aggregate Subscription Price of RMB612,080,000.

Upon Completion of the Deemed Disposal, Everbright Senior Healthcare will be owned as to approximately 49.29% by Advance Hope, 24.85% by Everbright Financial Holding, 16.57% by Sun Life Everbright, 4.14% by Everbright Industry, 4.14% by Everbright Industry Investment Fund and 1.00% by Apex Shine. Accordingly, Everbright Senior Healthcare will cease to be a subsidiary of the Company and will be an associate of the Company.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Deemed Disposal are fair and reasonable, that the Deemed Disposal is on normal commercial terms and in the ordinary and usual course of business of the Company, and that the Deemed Disposal is in the interests of the Company and its Shareholders as a whole.

Implications under the Listing Rules

As at the date of this announcement, CE Group, through its wholly owned subsidiary CE Hong Kong, is interested in approximately 49.74% of the total issued share capital of the Company and is a controlling shareholder of the Company. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of Everbright Financial Holding, Sun Life Everbright, Everbright Industry and Everbright Industry Investment Fund is an associate of CE Group. As a result, Everbright Financial Holding, Sun Life Everbright, Everbright Industry and Everbright Industry Investment Fund are connected persons of the Company pursuant to the Listing Rules.

Mr. Zhao, the sole shareholder of Apex Shine as at the date of this announcement, is a director of certain insignificant subsidiaries (on an aggregated basis) of the Company as defined under Rule 14A.09 of the Listing Rules. As a result, Mr. Zhao and Apex Shine are not connected persons of the Company pursuant to the Listing Rules.

Accordingly, the Deemed Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Deemed Disposal is more than 0.1%, but all of them are less than 5%, the Deemed Disposal is subject to the reporting and announcement requirements, but exempt from the independent Shareholders' approval requirement, under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board announces that on 29 November 2019, (a) Everbright Senior Healthcare, a wholly owned subsidiary of the Company, (b) Advance Hope, a wholly owned subsidiary of the Company, (c) Everbright Financial Holding, a wholly owned subsidiary of CE Group, (d) Sun Life Everbright, a non-wholly owned subsidiary of CE Group, (e) Everbright Industry, a wholly owned subsidiary of CE Group, (f) Everbright Industry Investment Fund, a limited partnership controlled by Everbright Industry and (g) Apex Shine entered into the Investment Agreement, pursuant to which the Investors agreed to subscribe for, and Everbright Senior Healthcare agreed to allot and issue, in each case subject to the fulfilment of certain conditions, all of the Subscription Shares at the aggregate Subscription Price of RMB612,080,000.

THE INVESTMENT AGREEMENT

The parties to, and the principal terms of, the Investment Agreement are set out below.

- Date : 29 November 2019
- Issuer : China Everbright Senior Healthcare Company Limited, which is a wholly owned subsidiary of the Company as at the date of this announcement.
- Existing investor : Advance Hope Limited, which is a wholly owned subsidiary of the Company
- Investors : (a) 光大金控資產管理有限公司 (Everbright Financial Holding Asset Management Co., Ltd.*), which is a wholly owned subsidiary of CE Group
- (b) 光大永明人壽保險有限公司 (Sun Life Everbright Life Insurance Co., Ltd.*), which is a non-wholly owned subsidiary of CE Group
- (c) 中國光大實業(集團)有限責任公司 (China Everbright Industry Group Limited*), which is a wholly owned subsidiary of CE Group
- (d) 光大鄭州國投新產業投資基金合伙企業(有限合伙) (Everbright Zhengzhou Guotou New Industry Investment Fund Partnership L.P.*), which is controlled by Everbright Industry
- (e) Apex Shine Global Limited

As at the date of this announcement, CE Group, through its wholly owned subsidiary CE Hong Kong, is interested in approximately 49.74% of the total issued share capital of the Company and is a controlling shareholder of the Company. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of Everbright Financial Holding, Sun Life Everbright, Everbright Industry and Everbright Industry Investment Fund is an associate of CE Group. As a result, Everbright Financial Holding, Sun Life Everbright, Everbright Industry and Everbright Industry Investment Fund are connected persons of the Company pursuant to the Listing Rules.

Mr. Zhao, the sole shareholder of Apex Shine as at the date of this announcement, is a director of certain insignificant subsidiaries (on an aggregated basis) of the Company as defined under Rule 14A.09 of the Listing Rules. As a result, Mr. Zhao and Apex Shine are not connected persons of the Company pursuant to the Listing Rules.

- Subject matter : Pursuant to the Investment Agreement, the Investors agreed to subscribe for, and Everbright Senior Healthcare agreed to allot and issue, the Subscription Shares subject to the terms and conditions thereof.
- Subscription Shares : (a) Everbright Financial Holding – 257,142,857 Everbright Senior Healthcare Shares, representing approximately 24.85% of the diluted issued share capital of Everbright Senior Healthcare
- (b) Sun Life Everbright – 171,428,571 Everbright Senior Healthcare Shares, representing approximately 16.57% of the diluted issued share capital of Everbright Senior Healthcare

- (c) Everbright Industry – 42,857,143 Everbright Senior Healthcare Shares, representing approximately 4.14% of the diluted issued share capital of Everbright Senior Healthcare
- (d) Everbright Industry Investment Fund – 42,857,143 Everbright Senior Healthcare Shares, representing approximately 4.14% of the diluted issued share capital of Everbright Senior Healthcare
- (e) Apex Shine – 10,354,286 Everbright Senior Healthcare Shares, representing approximately 1.00% of the diluted issued share capital of Everbright Senior Healthcare

- Subscription Price :
- (a) Everbright Financial Holding – RMB300 million
 - (b) Sun Life Everbright – RMB200 million
 - (c) Everbright Industry – RMB50 million
 - (d) Everbright Industry Investment Fund – RMB50 million
 - (e) Apex Shine – RMB12,080,000

The Subscription Price was agreed after arm’s length negotiations between Everbright Senior Healthcare, Advance Hope and the Investors and determined by taking into account factors including but not limited to the Valuation, which valued all of the equity interest in Everbright Senior Healthcare as at the Valuation Date at RMB553,455,800.

The Subscription Price will be satisfied out of the Investors’ existing cash reserves and if required, external financing.

- Conditions Precedent : (a) Compliance of the Deemed Disposal with all applicable laws, regulations and governmental orders;
- (b) no event, fact or circumstance which may cause a material adverse effect having occurred;
- (c) satisfaction of the pre-Completion obligations and undertakings by each party to the Investment Agreement;
- (d) representations and warranties given by each party to the Investment Agreement remaining true, complete and accurate in all material respects on the date of Completion;
- (e) valid and effective approvals and consents from third parties if required pursuant to the Investment Agreement having been obtained and remaining valid and effective on the date of Completion;
- (f) official and unconditional government approvals that are necessary for Completion having been obtained; and
- (g) internal authorisations of each party to the Investment Agreement having been obtained.
- Completion : Completion shall take place within twenty (20) Business Days after the satisfaction of all Conditions Precedent.

VALUATION

Given that the Valuation was partially based on the income approach which involved the calculation of discounted cash flows method, the Valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules.

The Valuation has been prepared on the following principal bases and assumptions:

- (a) Everbright Senior Healthcare does not carry on any operating activities. It holds interests in three subsidiaries, namely 光大養老健康產業發展有限公司, a newly established company incorporated under the laws of the PRC with limited liability which does not carry on any business activities (the “**Non-operating Subsidiary**”) and 北京光大匯晨養老服務有限公司 and 無錫光大金夕延年養老運營管理有限公司, each a company incorporated under the laws of the PRC with limited liability which carries on the business of elderly healthcare (the “**Operating Subsidiaries**”).
- (b) In respect of Everbright Senior Healthcare and the Non-operating Subsidiary, the Valuation was prepared using the asset-based approach by reference to their balance sheets as at the Valuation Date. Under this basis, the value of the assets and liabilities, on and off-balance sheet, of Everbright Senior Healthcare and the Non-operating Subsidiary are aggregated to determine their respective value.
- (c) In respect of the Operating Subsidiaries, the Valuation was prepared on a fair value basis under the discounted cash flow method. Cash flows of the Operating Subsidiaries are estimated for the period from July 2019 to December 2024.
- (d) There is an open market for equity interests in Everbright Senior Healthcare, with willing buyers and willing sellers for such equity interests.
- (e) Everbright Senior Healthcare will continue as a going concern, and Everbright Senior Healthcare will successfully carry out all necessary activities for the development of its business.
- (f) There have not been, and will not be, any significant change in relevant national macroeconomic policies, industrial policies or regional development policies, or the benchmark interest rate, tax base and tax rate, or any policy levy fees affecting Everbright Senior Healthcare after the Valuation Date.
- (g) Everbright Senior Healthcare’s operators are responsible and that its management is capable of performing its duties.

- (h) Everbright Senior Healthcare is operating in compliance with relevant laws and regulations.
- (i) There have not been, and will not be, any significant change in the accounting standards and policies of Everbright Senior Health after the Valuation Date.
- (j) There have not been, and will not be, any significant change to the management method and approach after the Valuation Date.
- (k) The calculation of income shall be based on accounting years. It is assumed that cash flows occur evenly throughout the year and interim discounting is adopted in respect of net cash flow.
- (l) Everbright Senior Healthcare will be able to continue to lease and occupy the premises on the same material terms as occupied by it as at the Valuation Date.
- (m) Everbright Senior Healthcare and its subsidiaries will be able to continue to operate their business, including to renew their respective business licences after expiry of their current term.
- (n) No force majeure event has occurred or will occur which may materially affect Everbright Senior Healthcare's business after the Valuation Date.

Ernst & Young, the reporting accountants of the Company, has reviewed the calculations of the discounted cash flows in relation to the Valuation which does not involve the adoption of accounting policies. The letter from Ernst & Young on the calculations of the discounted cash flows in relation to the profit forecast of Everbright Senior Healthcare is set out as Appendix I to this announcement.

On the basis of the foregoing, the Financial Advisor, China Everbright Capital Limited, is satisfied that the forecast has been made by the Company after due and careful enquiry. The report from the Financial Advisor is included as Appendix II to this announcement.

The qualifications of the experts who have provided their opinions and advice, which are included in this announcement, are as follows:

Name	Qualification
北京華亞正信資產評估有限公司 (Beijing Huaya Zhengxin Assets Appraisal Co., Ltd. *)	Independent professional valuer
Ernst & Young	Certified Public Accountants
China Everbright Capital Limited	A corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance

Each of the above experts has given and has not withdrawn its written consent to the issue of this announcement with the inclusion of its letter, opinion (as the case may be) and the references to its name (including its qualifications) in the form and context in which they respectively appear.

As at the date of this announcement, as far as the Directors are aware, the aforesaid experts have no equity interests in any member of the Group and have no rights (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of the Group.

REASONS FOR AND THE BENEFITS OF THE DEEMED DISPOSAL

The Company noted that Everbright Senior Healthcare has continued its growth in the recent years. By completing the Investment Agreement, Everbright Senior Healthcare will have additional funds, which are essential to Everbright Senior Healthcare's further growth and enhancement of its market position. Notwithstanding a dilution of the Group's interest in Everbright Senior Healthcare, the additional funds will expedite and accelerate the growth of Everbright Senior Healthcare. Through the Deemed Disposal, the Group will further strengthen its cooperation with other entities under CE Group to achieve sharing of resources and synergy effects.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Deemed Disposal are fair and reasonable, that the Deemed Disposal is on normal commercial terms and in the ordinary and usual course of business of the Company, and that the Deemed Disposal is in the interests of the Company and its Shareholders as a whole.

None of the Directors have a material interest in the Deemed Disposal. However, in view of good corporate governance practices, Dr. Cai Yunge (being both a Director of the Company and a director of CE Hong Kong) had abstained from voting on the relevant Board resolution approving the Deemed Disposal and the transactions contemplated thereunder.

FINANCIAL IMPACT OF THE DEEMED DISPOSAL

Upon Completion, the Company's shareholding in Everbright Senior Healthcare will be diluted to 49.29% of the entire issued share capital of Everbright Senior Healthcare and it will cease to be a subsidiary of the Company and will be an associate of the Company. The Deemed Disposal constitutes a deemed disposal for the purpose of Rule 14.29 of the Listing Rules. The Company noted that a gain of approximately HK\$194,229,000, which is calculated on the basis of the accounts of Everbright Senior Healthcare, is expected as a result of the Deemed Disposal.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CE Group, through its wholly owned subsidiary CE Hong Kong, is interested in approximately 49.74% of the total issued share capital of the Company and is a controlling shareholder of the Company. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of Everbright Financial Holding, Sun Life Everbright, Everbright Industry and Everbright Industry Investment Fund is an associate of CE Group. As a result, Everbright Financial Holding, Sun Life Everbright, Everbright Industry and Everbright Industry Investment Fund are connected persons of the Company pursuant to the Listing Rules.

Mr. Zhao, the sole shareholder of Apex Shine as at the date of this announcement, is a director of certain insignificant subsidiaries (on an aggregated basis) of the Company as defined under Rule 14A.09 of the Listing Rules. As a result, Mr. Zhao and Apex Shine are not connected persons of the Company pursuant to the Listing Rules.

Accordingly, the Deemed Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Deemed Disposal is more than 0.1%, but all of them are less than 5%, the Deemed Disposal is subject to the reporting and announcement requirements, but exempt from the independent Shareholders' approval requirement, under Chapter 14A of the Listing Rules.

INFORMATION ON THE COMPANY AND THE PARTIES

Information on the Group

The Company, through its subsidiaries and associates, is principally engaged in the provision of financial services and persistently pursues the cross-border macro asset management strategy, with specific focuses on fund and investment business, namely, primary market investment, secondary market investment, structured financing and investment, and aircraft leasing.

Information on the Investors and their ultimate beneficial owners

Everbright Financial Holding is a company incorporated under the laws of the PRC and is principally engaged in the business of investment and management. Everbright Financial Holding is a wholly owned subsidiary of CE Group.

Sun Life Everbright is a company incorporated under the laws of the PRC and is principally engaged in general insurance business and related reinsurance business. Sun Life Everbright is a non-wholly owned subsidiary of CE Group.

Everbright Industry is a company incorporated under the laws of the PRC and is principally engaged in the business of investment and management. Everbright Industry is a wholly owned subsidiary of CE Group.

Everbright Industry Investment Fund is a limited partnership established under the laws of the PRC which is controlled by Everbright Industry. Everbright Industry Investment Fund is principally engaged in the business of non-securities equity investment activities and related advisory services.

CE Group is a joint stock company incorporated under the laws of the PRC and an indirect controlling shareholder of the Company. CE Group is a conglomerate which, through its subsidiaries and associates, engages in a diverse range of businesses including banking, securities and asset management. It is owned by Central Huijin, MOF and SSF.

Apex Shine is a company incorporated under the laws of the British Virgin Islands and is principally engaged in the business of investment holding. As at the date of this announcement, it is wholly-owned by Mr. Zhao. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Apex Shine is intended to be an employee share ownership platform of Everbright Senior Healthcare.

INFORMATION ON EVERBRIGHT SENIOR HEALTHCARE

Information on Everbright Senior Healthcare

Everbright Senior Healthcare is a company incorporated under the laws of Hong Kong. It engages in the business of elderly healthcare and is a wholly owned subsidiary of the Company as at the date of this announcement.

Financial Information of Everbright Senior Healthcare

Set out below are the financial information of Everbright Senior Healthcare:

The unaudited consolidated financial information of Everbright Senior Healthcare for the financial years ended 31 December 2017 and 2018 are as below:

	For the year ended 31 December 2018	For the year ended 31 December 2017
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net profit/(loss) before taxation	(50,202)	(36,778)
Net profit/(loss) after taxation	(50,202)	(36,778)

As at 30 June 2019, the audited consolidated total asset value of Everbright Senior Healthcare was approximately RMB793,696,000.

DEFINITIONS

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

“Advance Hope”	Advance Hope Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company
“Apex Shine”	Apex Shine Global Limited, a company incorporated under the laws of the British Virgin Islands with limited liability
“Board”	the board of Directors
“Business Day”	a business day in Hong Kong or the PRC other than a Saturday or Sunday or public holiday in Hong Kong or the PRC
“CE Group”	中國光大集團股份公司 (China Everbright Group Ltd.*), a joint stock company incorporated under the laws of the PRC holding 100% equity interest of CE Hong Kong
“CE Hong Kong”	China Everbright Holdings Company Limited, a company incorporated under the laws of Hong Kong with limited liability and an indirect controlling shareholder of the Company
“Central Huijin”	中央匯金投資有限責任公司 (Central Huijin Investment Ltd.*), a company incorporated under the laws of the PRC with limited liability
“Company”	China Everbright Limited (中國光大控股有限公司), a company incorporated under the laws of Hong Kong with limited liability and whose shares are listed on the Stock Exchange
“Completion”	completion of the Deemed Disposal in accordance with the terms and conditions of the Investment Agreement

“Conditions Precedent”	conditions precedent to the Deemed Disposal in accordance with the terms and conditions of the Investment Agreement, which are set out in the section of this announcement headed “The Investment Agreement”
“connected person”	has the meaning ascribed to this term under the Listing Rules
“controlling shareholder”	has the meaning ascribed to this term under the Listing Rules
“Deemed Disposal”	the allotment and issuance of all of the Subscription Shares to the Investors, which will result in the reduction of the Group’s shareholding in Everbright Senior Healthcare from 100% to 49.29% upon Completion
“Directors”	the directors of the Company
“Everbright Financial Holding”	光大金控資產管理有限公司 (Everbright Financial Holding Asset Management Co., Ltd.*), a company incorporated under the laws of the PRC with limited liability which is a wholly owned subsidiary of CE Group
“Everbright Industry”	中國光大實業(集團)有限責任公司 (China Everbright Industry Group Limited*), a company incorporated under the laws of the PRC with limited liability which is a wholly owned subsidiary of CE Group
“Everbright Industry Investment Fund”	光大鄭州國投新產業投資基金合伙企業(有限合伙) (Everbright Zhengzhou Guotou New Industry Investment Fund Partnership L.P.*), a limited partnership established under the laws of the PRC which is controlled by Everbright Industry
“Everbright Senior Healthcare”	China Everbright Senior Healthcare Company Limited (中國光大養老健康產業有限公司), a company incorporated under the laws of Hong Kong with limited liability and a wholly owned subsidiary of the Company as at the date of this announcement

“Everbright Senior Healthcare Shares”	the ordinary shares in the issued share capital of Everbright Senior Healthcare
“Financial Advisor”	China Everbright Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Investment Agreement”	the investment agreement entered into between Everbright Senior Healthcare, Advance Hope and the Investors dated 29 November 2019, the principal terms of which are set out in the section of this announcement headed “The Investment Agreement”
“Investors”	Everbright Financial Holding, Sun Life Everbright, Everbright Industry, Everbright Industry Investment Fund and Apex Shine, being the investors under the Investment Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“MOF”	the Ministry of Finance of the PRC
“Mr. Zhao”	Mr. Zhao Zehui, the sole shareholder of Apex Shine as at the date of this announcement
“PRC”	the People’s Republic of China (excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)

“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company
“SSF”	全國社會保障基金理事會 (National Council for Social Security Fund of the PRC*)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the amount payable by each Investor for its relevant Subscription Shares, which is set out under the sub-section headed “Subscription Price” in the section of this announcement headed “The Investment Agreement”
“Subscription Shares”	524,640,000 new Everbright Senior Healthcare Shares to be issued and allotted to each Investor in accordance with the terms and conditions of the Investment Agreement, which is set out under the sub-section headed “Subscription Shares” in the section of this announcement headed “The Investment Agreement”
“Sun Life Everbright”	光大永明人壽保險有限公司 (Sun Life Everbright Life Insurance Co., Ltd.*), a company incorporated under the laws of the PRC with limited liability which is a non-wholly owned subsidiary of CE Group
“Valuation”	the valuation of the fair value of Everbright Senior Healthcare as at the Valuation Date with the use of the asset-based approach and the income approach which involved the calculation of discounted cash flows method, as stated in the valuation report issued by 北京華亞正信資產評估有限公司 (Beijing Huaya Zhengxin Assets Appraisal Co., Ltd.*), an independent professional valuer, and dated 13 October 2019

“Valuation Date” 30 June 2019

“%” per cent.

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

Hong Kong, 29 November 2019

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

Executive Directors

Dr. Cai Yunge (*Chairman*)
Dr. Zhao Wei (*Chief Executive Officer*)
Mr. Tang Chi Chun Richard
Mr. Zhang Mingao
Mr. Yin Lianchen

Independent Non-executive Directors

Dr. Lin Zhijun
Dr. Chung Shui Ming Timpson
Mr. Law Cheuk Kin Stephen

* *For identification purposes only*

APPENDIX I LETTER FROM ERNST & YOUNG

REPORT FROM REPORTING ACCOUNTANTS ON THE DISCOUNTED CASH FLOW FORECAST IN CONNECTION WITH THE VALUATION OF CHINA EVERBRIGHT SENIOR HEALTHCARE COMPANY LIMITED



Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

To the Directors of China Everbright Limited

We have been engaged to report on the arithmetical accuracy of the calculations of the discounted cash flow forecast (the “**Forecast**”) on which the valuation dated 13 October 2019 prepared by Beijing Huaya Zhengxin Assets Appraisal Co., Ltd in respect of China Everbright Senior Healthcare Company Limited (the “**Target**”) as at 30 June 2019 is based. The valuation is set out in the announcement of China Everbright Limited (the “**Company**”) dated 29 November 2019 (the “**Announcement**”) in connection with the deemed disposal of the Target. The valuation based on the Forecast is regarded by The Stock Exchange of Hong Kong Limited as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Directors’ responsibilities

The directors of the Company (the “**Directors**”) are solely responsible for the Forecast. The Forecast has been prepared using a set of bases and assumptions (the “**Assumptions**”), the completeness, reasonableness and validity of which are the sole responsibility of the Directors. The Assumptions are set out in the section headed “VALUATION” of the Announcement.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' responsibilities

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the Forecast based on our work. The Forecast does not involve the adoption of accounting policies.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations are concerned, the Directors have properly compiled the Forecast in accordance with the Assumptions adopted by the Directors. Our work consisted primarily of checking the arithmetical accuracy of the calculations of the Forecast prepared based on the Assumptions made by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

We are not reporting on the appropriateness and validity of the Assumptions on which the Forecast are based and thus express no opinion whatsoever thereon. Our work does not constitute any valuation of the Target. The Assumptions used in the preparation of the Forecast include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

Based on the foregoing, in our opinion, so far as the arithmetical accuracy of the calculations of the Forecast is concerned, the Forecast has been properly compiled in all material respects in accordance with the Assumptions adopted by the Directors.

Ernst & Young

Certified Public Accountants

Hong Kong

29 November 2019

APPENDIX II – LETTER FROM THE FINANCIAL ADVISOR IN RELATION TO THE VALUATION



China Everbright Capital Limited
28/F, Lee Garden One
33 Hysan Avenue, Causeway Bay
Hong Kong

The Board of Directors

China Everbright Limited

46th Floor
Far East Finance Centre
16 Harcourt Road
Hong Kong

29 November 2019

Dear Sirs,

We refer to the valuation report dated 13 October 2019 in relation to the Valuation prepared by Beijing Huaya Zhengxin Assets Appraisal Co., Ltd. (the “**Independent Valuer**”) as mentioned in the Company’s announcement dated 29 November 2019 (the “**Announcement**”). Capitalized terms used in this letter, unless otherwise defined, shall have the same meanings as those defined in the Announcement.

Given that the Valuation was partially based on the income approach which involved the calculation of discounted cash flows method, the Valuation constitutes a profit forecast (the “**Profit Forecast**”) under Rule 14.61 of the Listing Rules and the requirements under Rule 14.62 of the Listing Rules are therefore applicable. This letter is issued by us in the capacity of the Company’s Financial Advisor in compliance with the requirement under Rule 14.62(3) of the Listing Rules. We are not reporting on the arithmetical calculations of the discounted cash flows in relation to the Valuation (the “**Discounted Cash Flows**”) nor the Valuation.

We have reviewed the Profit Forecast has been made and for which you as the Directors are solely responsible, and have discussed with the respective management of the Company and Everbright Senior Healthcare, as well as the Independent Valuer, in respect of the bases and assumptions upon which the Valuation were based.

We have also considered the assurance report (the “**Report**”) dated 29 November 2019 from Ernst & Young (“**EY**”) solely addressed to and for the benefit of you as the Directors and note that EY has performed procedures regarding its responsibility to report, as required by Rule 14.62(2) of the Listing Rules, on the calculations of the Discounted Cash Flows in relation to the Valuation. We also note that the Discounted Cash Flows do not involve the adoption of accounting policies. The Report is included in Appendix I to the Announcement.

With regard to the Independent Valuer’s qualifications and experience, we have conducted reasonable checks to assess the relevant qualifications, experience and expertise of the Independent Valuer, including reviewing the supporting documents on the qualifications of the Independent Valuer and conducting discussions with the Company and the Independent Valuer on their qualifications and experience.

The Profit Forecast has been prepared using a set of assumptions that include hypothetical assumptions about future events and other assumptions that may or may not necessarily be expected to occur and, as such, the Discounted Cash Flows may not be appropriate for purposes other than for deriving the Valuation. Even if the events anticipated under the hypothetical assumptions occur, actual results are still likely to differ from the Discounted Cash Flows since such anticipated events frequently may or may not occur as expected and the variation may be material.

We have not independently verified the computations leading to the Independent Valuer’s determination of the Valuation. We have had no role or involvement and have not provided and will not provide any assessment of the fair value of Everbright Senior Healthcare. Our work does not constitute any valuation. Therefore we accept no responsibility therefor, and express no views, whether expressly or implicitly, thereon.

On the basis of the foregoing and in the absence of unforeseeable circumstances, and without giving any opinion on the reasonableness of the Discounted Cash Flows and of the Valuation, we are satisfied that the Discounted Cash Flows upon which the Valuation has been made, and for which you as Directors are solely responsible, have been made by you as Directors after due and careful enquiry. However, we express no opinion on how closely the actual cash flow and profit eventually will correspond with the Discounted Cash Flows.

Our work in connection with the Discounted Cash Flows and the Valuation has been undertaken solely for the compliance of Rule 14.62(3) of the Listing Rules and for no other purpose. This letter may not be used or disclosed, referred or communicated (in whole or in part) to any party for any other purpose whatsoever, except with our prior written approval. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

Yours faithfully,
For and on behalf of
China Everbright Capital Limited
Wu Po Sing
Managing Director