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CHINA EVERBRIGHT LIMITED

(incorporated in Hong Kong with limited liability)

(Stock code: 165)

(1) CONNECTED TRANSACTION IN RELATION TO THE LIMITED PARTNERSHIP AGREEMENT AND (2) CONTINUING CONNECTED TRANSACTION IN RELATION TO THE ENTRUSTED MANAGEMENT AGREEMENT

The Limited Partnership Agreement and the Entrusted Management Agreement

The Board announces that on 21 April 2020, the General Partner (a wholly owned subsidiary of the Company) as the general partner of the Fund, the CEL Limited Partner (a wholly owned subsidiary of the Company) as a Limited Partner, CE Group as a Limited Partner and the CE International Limited Partner (a wholly owned subsidiary of CE International) as a Limited Partner entered into the Limited Partnership Agreement. Pursuant to the Limited Partnership Agreement, the CEL Limited Partner, CE Group and the CE International Limited Partner each committed to contribute RMB 500 million to the Fund. Upon the formation of the Fund, the Fund becomes a subsidiary of the Company.

In addition, on 21 April 2020, the General Partner (in the capacity of the general partner for and on behalf of the Fund) and the Manager (a wholly owned subsidiary of the Company) entered into the Entrusted Management Agreement. Pursuant to the Entrusted Management Agreement, the Manager shall provide daily operational and investment management services to the Fund.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Limited Partnership Agreement and the Entrusted Management Agreement are fair and reasonable, that the Limited Partnership Agreement and the Entrusted Management Agreement are on normal commercial terms and in the ordinary and usual course of business of the Company, and that the Limited Partnership Agreement and the Entrusted Management Agreement are 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 subsidiaries, is interested in approximately 49.74% of the total issued share capital of the Company and is the controlling shareholder of the Company. The CE International Limited Partner, being a wholly owned subsidiary of CE International, is an associate of CE Group. Accordingly, CE Group and the CE International Limited Partner are connected persons of the Company and the entering into of the Limited Partnership Agreement and the formation of the Fund constitute a connected transaction of the Company under the Listing Rules.

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Limited Partnership Agreement is more than 0.1% but all of them are less than

5%, the entering into of the Limited Partnership Agreement and the formation of the Fund will be subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement as set out in Chapter 14A of the Listing Rules.

As at the date of this announcement, the Fund is a subsidiary of the Company. In addition, CE Group, both directly and indirectly through the CE International Limited Partner, is interested in more than 30% of the interests in the Fund. Accordingly, the Fund, being an associate of CE Group, is a connected subsidiary of the Company and entering into the Entrusted Management Agreement constitutes a continuing connected transaction of the Company under the Listing Rules.

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Management Fees receivable by the Group is more than 0.1% but all of them are less than 5%, the Entrusted Management Agreement will be subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement as set out in Chapter 14A of the Listing Rules.

INTRODUCTION

The Board announces that on 21 April 2020, the General Partner (a wholly owned subsidiary of the Company) as the general partner of the Fund, the CEL Limited Partner (a wholly owned subsidiary of the Company) as a Limited Partner, CE Group as a Limited Partner and the CE International Limited Partner (a wholly owned subsidiary of CE International) as a Limited Partner entered into the Limited Partnership Agreement. Pursuant to the Limited Partnership Agreement, the CEL Limited Partner, CE Group and the CE International Limited Partner each committed to contribute RMB 500 million to the Fund. Upon the formation of the Fund, the Fund becomes a subsidiary of the Company.

In addition, on 21 April 2020, the General Partner (in the capacity of the general partner for and on behalf of the Fund) and the Manager (a wholly owned subsidiary of the Company) entered into the Entrusted Management Agreement. Pursuant to the Entrusted Management Agreement, the Manager shall provide daily operational and investment management services to the Fund.

THE LIMITED PARTERSHIP AGREEMENT

The principal terms of the Limited Partnership Agreement are as follows:

- Date : 21 April 2020
- Parties : (i) The General Partner (a wholly owned subsidiary of the Company), as the general partner of the Fund;
(ii) the CEL Limited Partner (a wholly owned subsidiary of the Company), as a Limited Partner;
(iii) CE Group, as a Limited Partner; and
(iv) the CE International Limited Partner (a wholly owned subsidiary of CE International), as a Limited Partner.

As at the date of this announcement, CE Group, through its wholly owned subsidiaries, is interested in approximately 49.74% of the total issued share capital of the Company and is the controlling shareholder

of the Company. The CE International Limited Partner, being a wholly owned subsidiary of CE International, is an associate of CE Group. Accordingly, CE Group and the CE International Limited Partner are connected persons of the Company pursuant to the Listing Rules.

Purpose of the Fund : The Fund shall invest in green environment, green energy, green manufacturing and green living enterprises that provide products and services to the PRC, countries along the Belt and Road initiative and other businesses related to the Belt and Road initiative.

Such investments may include start-up investments, equity investments, mergers and acquisitions, mezzanine financing, takeovers, exchangeable debt, bridge facilities and fund investments.

Fund size and capital commitments : The target size of the Fund is RMB 5 billion. If capital commitments of the Fund exceed RMB 5 billion, the General Partner shall determine at its discretion whether to accept any additional capital commitments.

On the date of this announcement, the respective capital commitments of the parties to the Limited Partnership Agreement are as follows:

- (i) the General Partner will contribute RMB 15.16 million, representing approximately 1% of the total capital commitment of the Fund as at the date of this announcement;
- (ii) the CEL Limited Partner will contribute RMB 500 million, representing approximately 33% of the total capital commitments of the Fund as at the date of this announcement;
- (iii) CE Group will contribute RMB 500 million, representing approximately 33% of the total capital commitments of the Fund as at the date of this announcement; and
- (iv) the CE International Limited Partner will contribute RMB 500 million, representing approximately 33% of the total capital commitments of the Fund as at the date of this announcement.

These capital commitments were determined after arm's length negotiations between the parties with reference to the strategies and business prospects of the Fund.

The capital commitments to be contributed by the General Partner and the CEL Limited Partner will be funded from the existing internal resources of the Group.

Investment Period and Term of the Fund : The Fund may make investments from the Initial Closing Date until the fifth (5th) anniversary of the Initial Closing Date, unless certain termination event with respect to the appointment of the General Partner shall have occurred prior to such date.

The Fund shall continue until the eighth (8th) anniversary of the Initial Closing Date. The General Partner may for operational reasons extend

such term by up to two additional periods (each being no more than one year).

Management of the Fund : The General Partner may appoint itself or another person to act as manager of the Fund. As at the date of this announcement, the Manager has been appointed to act as manager of the Fund.

Distributions : Subject to the terms under the Limited Partnership Agreement (including the General Partner's right to reapply proceeds to future investments), distributable profits from each investment (other than any bridge facilities) shall first be distributed to all the Partners participating in such investment in proportion to the ratio of cost-sharing in respect of such investment, and the portion to be allocated to the General Partner shall be distributed to the General Partner. The portion to be allocated to each of the Limited Partners shall be distributed between that Limited Partner and the General Partner as follows:

- (i) *repayment of the Limited Partners' cumulative actual capital contributions*: first, 100% to the Limited Partners until the cumulative distribution amount received in accordance with this paragraph (i) is equal to the Limited Partners' cumulative actual capital contributions to the Fund at that point in time;
- (ii) *payment of the Limited Partners' preferred return*: second, 100% to the Limited Partners until the Limited Partners have received a return equal to 6% per annum (simple interest) on the cumulative distribution amount received by such Limited Partners in accordance with paragraph (i) above ("**Preferred Return**");
- (iii) *Catch-up*: third, 100% to the General Partner until the General Partner's amount received pursuant to this paragraph (iii) is equal to an amount which is the aggregate Preferred Return received by the Limited Partners pursuant to paragraph (ii) above divided by 80% and multiplied by 20%; and
- (iv) *80/20 distribution*: in respect of the balance after the above distributions, 80% to the Limited Partners and 20% to the General Partner.

Transfer of interests in the Fund : A Limited Partner may not sell, swap, pledge, transfer, transmit, grant security over, create any security interests in or use other means to dispose of all or part of its interests in the Fund unless it has obtained the General Partner's prior written consent.

A Limited Partner may not redeem its interests in the Fund without the prior written consent of the General Partner.

Liquidation of the Fund : A liquidator shall terminate the Fund and liquidate its assets in accordance with applicable laws within 15 calendar days of any of the following events occurring:

- (i) expiry of the term of the Fund without any extension;

- (ii) expiry of the Investment Period and all investments of the Funds have been exited or disposed of;
- (iii) Limited Partners representing not less than 80% of the aggregate capital commitments of the Fund commencing proceedings or arbitration against the General Partner alleging that the Fund had suffered material losses due to the General Partner's intentional or gross negligent actions, the General Partner had conducted any improper act in executing the partnership affairs, or the General Partner had failed to make capital contributions in accordance with the terms of the Limited Partnership Agreement and Limited Partners representing not less than 85% of the aggregate capital commitments of the Fund agreeing to terminate the appointment of the General Partner;
- (iv) material breach of the Limited Partnership Agreement by one or more Limited Partners such that the General Partner determines that the Fund could no longer continue to operate;
- (v) revocation of the business licence, receiving order to close down or the Fund being struck off as required by applicable laws;
- (vi) the Fund not having sufficient partners and such default continues for 30 calendar days;
- (vii) all partners of the Fund (other than any defaulting partner) agreeing to terminate the Fund; and
- (viii) any other reasons specified under the Limited Partnership Agreement or applicable laws.

THE ENTRUSTED MANAGEMENT AGREEMENT

The principal terms of the Entrusted Management Agreement are as follows:

Date : 21 April 2020

Parties : (i) The General Partner (in the capacity of the general partner for and on behalf of the Fund); and
(ii) the Manager (a wholly owned subsidiary of the Company).

CE Group, both directly and indirectly through the CE International Limited Partner, is interested in more than 30% of the interests in the Fund. In addition, CE Group, through its wholly owned subsidiaries, is interested in approximately 49.74% of the total issued share capital of the Company and is the controlling shareholder of the Company. Accordingly, the Fund, being an associate of CE Group, is a connected subsidiary of the Company pursuant to the Listing Rules.

Management services : The Manager shall provide daily operational and investment management services to the Fund.

Management Fees : The Fund shall pay management fees to the Manager from the Initial Closing Date, calculated annually as follows:

- (i) during the Investment Period, 1.2% of the aggregate capital commitments of the Limited Partners (up to maximum aggregate capital commitments of RMB 5 billion); and
- (ii) following expiry of the Investment Period, 1.2% of the total investment cost attributable to the Limited Partners with respect to the investments which have not yet been exited by the Fund (up to maximum aggregate actual capital contributions of RMB 5 billion).

The management fees were determined after arm's length negotiations between the Parties with reference to market standards and industry practices for management fee structures and rates of other investment funds with underlying investments similar to those of the Fund.

Term : The Entrusted Management Agreement shall terminate upon:

- (i) termination of the Fund;
- (ii) Limited Partners representing not less than 80% of the aggregate capital commitments of the Fund commencing proceedings or arbitration against the General Partner alleging that the Fund had suffered material losses due to the General Partner's intentional or gross negligent actions, the General Partner had conducted any improper act in executing the partnership affairs, or the General Partner had failed to make capital contributions in accordance with the terms of the Limited Partnership Agreement and Limited Partners representing not less than 85% of the aggregate capital commitments of the Fund agreeing to terminate the appointment of the General Partner; or
- (iii) the Manager ceasing to be the manager of the Fund.

REASONS FOR AND BENEFITS OF THE LIMITED PARTNERSHIP AGREEMENT AND THE ENTRUSTED MANAGEMENT AGREEMENT

Establishment of the Fund is in line with the Group's macro asset management strategy. The Company considers that the entering into of the Limited Partnership Agreement and the investment under the Fund will provide the Group with an opportunity to develop and expand its asset management business and investment portfolio. In particular, the establishment and investment of the Fund will enable the Group to achieve the purpose of seizing the investment opportunities arising from the national strategy of the Belt and Road Initiative. The Company considers that the provision of investment management services to the Fund pursuant to the Entrusted Management Agreement is in the ordinary and usual course of business of the Company and is in line with the objective to enhance revenue generated from the asset management business of the Group.

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

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

LISTING RULES IMPLICATIONS

Limited Partnership Agreement

As at the date of this announcement, CE Group, through its wholly owned subsidiaries, is interested in approximately 49.74% of the total issued share capital of the Company and is the controlling shareholder of the Company. The CE International Limited Partner, being a wholly owned subsidiary of CE International, is an associate of CE Group. Accordingly, CE Group and the CE International Limited Partner are connected persons of the Company and the entering into of the Limited Partnership Agreement and the formation of the Fund constitute a connected transaction of the Company under the Listing Rules.

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Limited Partnership Agreement is more than 0.1% but all of them are less than 5%, the entering into of the Limited Partnership Agreement and the formation of the Fund will be subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement as set out in Chapter 14A of the Listing Rules.

Entrusted Management Agreement

As at the date of this announcement, the Fund is a subsidiary of the Company. In addition, CE Group, both directly and indirectly through the CE International Limited Partner, is interested in more than 30% of the interests in the Fund. Accordingly, the Fund, being an associate of CE Group, is a connected subsidiary of the Company and entering into the Entrusted Management Agreement constitutes a continuing connected transaction of the Company under the Listing Rules.

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Management Fees receivable by the Group is more than 0.1% but all of them are less than 5%, the Entrusted Management Agreement will be subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement as set out in Chapter 14A of the Listing Rules.

ADVICE FROM INDEPENDENT FINANCIAL ADVISER

As the Entrusted Management Agreement will continue for more than three years, Red Sun Capital has been appointed as the independent financial adviser to advise the Company on the term of the Entrusted Management Agreement in accordance with Rule 14A.52 of the Listing Rules.

Set forth below are the independent opinion from Red Sun Capital pursuant to Rule 14A.52 of the Listing Rules extracted from its letter and the principal factors and reasons that Red Sun Capital has considered in arriving its opinion:

- (i) the primary purpose of the Fund is to invest in green environment, green energy, green manufacturing and green living enterprises that provide products and services to the PRC, countries along the Belt and Road initiative and other businesses related to the Belt and Road initiative. Such investments may include start-up investments, equity investments, mergers and acquisitions, mezzanine financing, takeovers, exchangeable debt, bridge facilities and fund investments;
- (ii) the long-term arrangement for fund management services pursuant to the Entrusted Management Agreement is consistent with the relatively long-term investment and divestment duration of the Fund and is not uncommon for private investment funds in the industry;
- (iii) having considered the nature of the fund management services, the business and operational needs of the Fund, the potential disruption to the operations of the Fund that may arise from any potential delay of renewal of the Entrusted Management Agreement as a result of further negotiation among the parties to the Limited Partnership Agreement and the Entrusted Management Agreement or the discontinuance of the fund management services, and additional unnecessary administrative costs to the Company that may arise from the renewal of the Entrusted Management Agreement for every other three years or less, limiting the term of the Entrusted Management Agreement to a maximum of three years in accordance with Rule 14A.52 of the Listing Rules will be unduly burdensome to the Group and the Fund; and
- (iv) the relative long-term arrangement of the Entrusted Management Agreement is in the interests of the Company, the Shareholders and the Manager, which is a wholly owned subsidiary of the Company, by minimising the possible disruption to the Fund, the underlying investments as well as the potential loss of management fee income to be derived by the Manager from managing the Fund.

In considering whether it is normal business practice for agreements of similar nature with the Entrusted Management Agreement to have a term of such duration, Red Sun Capital has identified transactions entered into by companies listed on the Stock Exchange involving limited partnership fund formation comprising of general partners and limited partners with a fund manager providing fund management services (the “**Comparable Fund Structures**”) and noted that the term of the funds in connection with the Comparable Fund Structures ranged from three to ten years, of which the proposed term of the Fund and the Entrusted Management Agreement fall within such range.

Taking into account of the above, Red Sun Capital confirms that the duration of the Entrusted Management Agreement requires a period for longer than three years and it is normal business practice for agreements of this type to be of such duration.

INFORMATION ON THE COMPANY AND THE PARTIES

Information on the General Partner

The General Partner is a company incorporated under the laws of the PRC and is a wholly owned subsidiary of the Company. The General Partner is principally engaged in advisory and management services.

Information on the CEL Limited Partner

The CEL Limited Partner is a company incorporated under the laws of the PRC and is a wholly owned subsidiary of the Company. The CEL Limited Partner is principally engaged in the provision of investment advisory services and investment.

Information on the Manager

The Manager is a company incorporated under the laws of the PRC and is a wholly owned subsidiary of the Company. The Manager is principally engaged in investment and management services.

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 CE International Limited Partner

The CE International Limited Partner is a company incorporated under the laws of the PRC and is a wholly owned subsidiary of CE International. The CE International Limited Partner is principally engaged in investment and management.

CE International is a company incorporated under the laws of Hong Kong with limited liability and its shares are listed on the Stock Exchange (stock code: 257). The main businesses of CE International are waste-to-energy, food waste treatment, waste sorting, environmental sanitation integration, development of “zero-waste cities”, waste water treatment, reusable water, water supply, water environment management, biomass integrated utilisation, hazardous and solid waste treatment, ecological restoration, technology research and development, planning and designing, equipment manufacturing, analysis and testing, as well as environmental protection industrial parks.

CE Group, through its wholly owned subsidiaries, is interested in approximately 42.01% of the total issued share capital of CE International and is the controlling shareholder of CE International.

Information on the CE Group

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.

DEFINITIONS

In this announcement, unless otherwise defined, the following terms shall have the following meanings:

“**associate**” has the meaning ascribed to it under the Listing Rules

“Board”	the board of Directors
“CE Group”	中國光大集團股份有限公司 (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 a wholly owned subsidiary of CE Group and an indirect controlling shareholder of the Company
“CE International”	China Everbright International Limited (中國光大國際有限公司), a company incorporated under the laws of Hong Kong with limited liability and whose shares are listed on the Stock Exchange (stock code: 257)
“CE International Limited Partner”	光大環保（中國）有限公司 (Everbright Environmental Protection (China) Limited*), a company incorporated under the laws of the PRC and is a wholly owned subsidiary of CE International
“CEL Limited Partner”	CEL Venture Capital (Shenzhen) Limited (光大控股創業投資（深圳）有限公司), a company incorporated under the laws of the PRC and is a wholly owned subsidiary 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
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Entrusted Management Agreement”	an entrusted management agreement dated 21 April 2020 entered into between the General Partner (in the capacity of the general partner for and on behalf of the Fund) and the Manager in relation to the provision of management services to the Fund
“Fund”	光大一帶一路綠色股權投資基金合夥企業（有限合夥）(Everbright Belt And Road Green Equity Investment Fund, L.P.*), a limited partnership established under the laws of the PRC pursuant to the Limited Partnership Agreement

“General Partner”	光大綠色絲路投資管理有限公司 (Everbright Green Belt And Road Investment Management Co., Ltd.*), a company incorporated under the laws of the PRC and is a wholly owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Initial Closing Date”	the date determined by the General Partner to be the initial closing date of the Fund
“Investment Period”	from the Initial Closing Date until the fifth (5 th) anniversary of the Initial Closing Date, unless certain termination event with respect to the appointment of the General Partner shall have occurred prior to such date, during which period the Fund may make investments
“Limited Partner”	a limited partner of the Fund
“Limited Partnership Agreement”	a limited partnership agreement dated 21 April 2020 entered into among the General Partner, the CEL Limited Partner, CE Group and the CE International Limited Partner in relation to the Fund
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Management Fees”	the management fees payable by the Fund to the Manager pursuant to the Entrusted Management Agreement
“Manager”	光大匯益偉業投資管理（北京）有限公司 (Everbright Huiyi Weiye Investment Management (Beijing) Co., Ltd.*), a company incorporated under the laws of the PRC and is a wholly owned subsidiary of the Company
“MOF”	the Ministry of Finance of the PRC
“Partner(s)”	the partner(s) of the Fund, including the General Partner and the Limited Partners
“PRC”	the People’s Republic of China
“Red Sun Capital”	Red Sun Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	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
“%”	per cent.

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

Hong Kong, 21 April 2020

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*