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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)

**DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTION:
NEW DEPOSIT SERVICE FRAMEWORK AGREEMENT**

NEW DEPOSIT SERVICE FRAMEWORK AGREEMENT

Given the Existing Deposit Service Framework Agreement will expire on 31 December 2022, having considered the future needs of the Group and to better regulate the existing and future continuing connected transactions between the Group and CE Bank on the provision of the Deposit Services, the Company and China Everbright entered into the New Deposit Service Framework Agreement on 18 November 2022 for a term of three years commencing from 1 January 2023 and ending on 31 December 2025.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, China Everbright is the controlling shareholder of the Company indirectly holding approximately 74.99% of the issued Shares. Accordingly, China Everbright and its associates (other than the Group) are connected persons of the Company. As such, the transactions contemplated under the New Deposit Service Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (other than profits ratio) (as defined under Rule 14.07 of the Listing Rules) in respect of the annual caps of the transactions to be contemplated under the New Deposit Service Framework Agreement exceed 5%, the transactions to be contemplated thereunder are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Furthermore, as one of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the provision of the Deposit Services exceeds 5%, but are all less than 25%, the provision of the Deposit Services under the New Deposit Service Framework Agreement also constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Directors has any material interest in the transactions contemplated under the New Deposit Service Framework Agreement. However, for good corporate governance, Mr. Liu Jia (an executive Director), who is also a director of certain subsidiaries of China Everbright, has voluntarily abstained from voting on the relevant Board resolutions approving the New Deposit Service Framework Agreement.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee has been formed by the Company to consider, and to advise the Independent Shareholders on the terms of the New Deposit Service Framework Agreement and its proposed annual caps.

Gram Capital has been appointed as the Independent Financial Adviser for providing advice to the Independent Board Committee and the Independent Shareholders on whether the terms of New Deposit Service Framework Agreement and its proposed annual caps are fair and reasonable, and whether they are in the interests of the Company and the Shareholders as a whole.

GENERAL

A circular containing, among other things, (i) further details of the New Deposit Service Framework Agreement and its proposed annual caps; (ii) the letter from the Independent Board Committee to the Independent Shareholders; (iii) the letter from Gram Capital to the Independent Board Committee and the Independent Shareholders; and (iv) other information as required under the Listing Rules, together with the notice of the general meeting, will be despatched to the Shareholders not more than 15 business days after the publication of this announcement (i.e. on or before 9 December 2022) in accordance with the requirements of the Listing Rules.

1. BACKGROUND

Given the Existing Deposit Service Framework Agreement will expire on 31 December 2022, having considered the future needs of the Group and to better regulate the existing and future continuing connected transactions between the Group and CE Bank on the provision of the Deposit Services, the Company and China Everbright entered into the New Deposit Service Framework Agreement on 18 November 2022 for a term of three years commencing from 1 January 2023 and ending on 31 December 2025.

2. NEW DEPOSIT SERVICE FRAMEWORK AGREEMENT

Pursuant to the Existing Deposit Service Framework Agreement, China Everbright shall procure CE Bank to provide the Deposit Services to the Group. As the Existing Deposit Service Framework Agreement and its annual caps will expire on 31 December 2022, the Company and China Everbright entered into the New Deposit Service Framework Agreement to better regulate the provision of the Deposit Services.

The New Deposit Service Framework Agreement is conditional upon the Independent Shareholders' approval at the EGM having been obtained.

The summary of the principal terms of the New Deposit Service Framework Agreement is set forth below:

Date: 18 November 2022

Parties: (i) the Company; and
(ii) China Everbright.

Description of the transactions: China Everbright shall procure CE Bank to provide the Deposit Services to members of the Group for a term of three years commencing from 1 January 2023 to 31 December 2025. The New Deposit Service Framework Agreement shall be non-exclusive, and the Group is at liberty to obtain deposit services from other third parties.

The relevant parties shall enter into separate Deposit Agreements to set out the specific provisions of the Deposit Services, and the terms and conditions of the Deposit Agreements shall be determined by the relevant parties in accordance with the terms of the New Deposit Service Framework Agreement.

The term of each of the Deposit Agreements shall not exceed the term of the New Deposit Service Framework Agreement.

Pricing policy:

The interest rates payable by CE Bank to the Group in respect of the Deposit Services shall:

- (i) be determined based on arm's length negotiations between CE Bank and the Group with reference to the prevailing interest rate for similar deposit services which can be obtained by the Group from independent third parties and on normal commercial terms;
- (ii) not be lower than the interest rates to be paid by other independent third parties; and
- (iii) be in compliance with the rules and regulations prescribed by the PBOC and/or other relevant rules and regulations within or outside the PRC.

Historical figures and annual caps

The following table sets out the historical figures and annual caps under the Existing Deposit Service Framework Agreement:

For the year ended 31 December				Historical amount for the six months ended 30 June 2022	Existing annual cap for the year ending 31 December 2022
2020	2020	2021	2021		
Historical amount	Historical annual cap	Historical amount	Historical annual cap	ended 30 June 2022	December 2022
(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
				(unaudited)	

Maximum daily balance of deposits (including interests accrued thereon) placed by the Group with CE Bank

<u>22,057</u>	<u>46,000</u>	<u>28,000</u>	<u>46,000</u>	<u>30,857</u>	<u>46,000</u>
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Proposed annual caps

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

	For the year ending 31 December		
	2023	2024	2025
	(RMB'000)	(RMB'000)	(RMB'000)
Maximum daily balance of deposits (including interests accrued thereon) to be placed by the Group with CE Bank	<u>38,000</u>	<u>38,000</u>	<u>38,000</u>

The above proposed annual caps have been determined after taking into consideration of the following factors, among other things:

- (1) the historical transaction amount of the Existing Deposit Services under the Deposit Service Framework Agreement; and
- (2) as at the date of this announcement, the Group had placed deposits with not less than eight different banks (including CE Bank) in the PRC and Hong Kong. Furthermore, the Deposit Services will be obtained by the Group on a voluntary and non-exclusive basis. There is no restriction under the New Deposit Service Framework Agreement on the Group's ability to obtain deposit services from other banks or financial institutions, and the Group is at its sole discretion to make its selection according to the relevant interest rates and quality of services being delivered by other banks or financial institutions. The Group has been diversifying the banks or financial institutions for cash deposits for the purpose of risk management of its capital and the proposed annual caps can provide more flexibility to the Group's cash management and allocation, such as maximising the interest income earned from deposit.

Reasons and benefits for the transactions

CE Bank has been providing the Deposit Services to the Group prior to the listing of the Company on the Stock Exchange in 2017, which has developed a deep understanding of the capital needs and business model of the Group. Moreover, CE Bank offers lower handling fees for internal settlements among members of the Group and settlements to third parties through CE Bank accounts when compared to other bank accounts, and most of the miscellaneous fees are waived for the Deposit Services provided by CE Bank. In view of the stability and reliability of the Deposit Services in previous years, the Directors believe that CE Bank is well-positioned to serve the financial needs of the Group, and it is expected that it will be cost-efficient, expedient and beneficial for the Group to use the Deposit Services.

Moreover, the Group will receive interest on the Deposit Services at interest rates which are no less favourable than those offered by any independent third party for comparable deposits. This arrangement allows the Group to achieve a more efficient use of its current capital.

In addition, CE Bank is regulated by the China Banking and Insurance Regulatory Commission and the Hong Kong Monetary Authority and is subject to the rules and requirements of such regulatory authorities, which will reduce risks to the Group in receiving the Deposit Services.

Given the transactions to be contemplated under the New Deposit Service Framework Agreement are in the ordinary and usual course of business of the Company and are under normal commercial terms, the Directors (including the independent non-executive Directors) are of the view that the terms of the New Deposit Service Framework Agreement and its proposed annual caps are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

3. IMPLICATIONS UNDER THE LISTING RULES

China Everbright is the holder of 100% of the issued share capital of CE Hong Kong, which in turn directly holds approximately 99.997% shares in Capital Century Company Limited (0.3% of which is held on trust for the National Administrative Bureau of Stated Owned Property) and indirectly holds 0.003% shares in Capital Century Company Limited through China Everbright Holdings (Nominee) Limited. Capital Century Company Limited indirectly held 331,000,000 Shares (representing approximately 74.99% of the issued Shares) through Lucky Link Investments Limited and Top Charm Investments Limited as at the date of this announcement. Accordingly, China Everbright is a controlling shareholder of the Company, and thus China Everbright and its associates (other than the Group) are connected persons of the Company. As such, the transactions contemplated under the New Deposit Service Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (other than profits ratio) (as defined under Rule 14.07 of the Listing Rules) in respect of the annual caps of the transactions to be contemplated under the New Deposit Service Framework Agreement exceed 5%, the transactions to be contemplated thereunder are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Furthermore, as one of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the provision of the Deposit Services exceeds 5%, but are all less than 25%, the provision of the Deposit Services under the New Deposit

Service Framework Agreement also constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Directors has any material interest in the transactions contemplated under the New Deposit Service Framework Agreement. However, for good corporate governance, Mr. Liu Jia (an executive Director), who is also a director of certain subsidiaries of China Everbright, has voluntarily abstained from voting on the relevant Board resolutions approving the New Deposit Service Framework Agreement.

As China Everbright and its associates have material interests in the transactions to be contemplated under the New Deposit Service Framework Agreement, China Everbright and its associates including Lucky Link Investments Limited (directly holding 297,900,000 Shares) and Top Charm Investments Limited (directly holding 33,100,000 Shares) will be required to abstain from voting at the EGM with respect to the ordinary resolution in connection with the New Deposit Service Framework Agreement and its proposed annual caps.

4. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee has been formed by the Company to consider, and to advise the Independent Shareholders on, the terms of the New Deposit Service Framework Agreement and its proposed annual caps.

Gram Capital has been appointed as the Independent Financial Adviser for providing advice to the Independent Board Committee and the Independent Shareholders on whether the terms of New Deposit Service Framework Agreement and its proposed annual caps are fair and reasonable, and whether it is in the interests of the Company and the Shareholders as a whole.

5. INFORMATION OF THE COMPANY, CHINA EVERBRIGHT AND CE BANK

The Company is an investment holding company principally engaged in property leasing, provision of property management services and sales of properties held for sale. As at the date of this announcement, the premises owned by the Group included three commercial buildings, which are located in Chengdu, Sichuan province and Kunming, Yunnan province in the PRC. The Group's property management services include general property management services, value-added property management services and parking management services.

China Everbright is a state-owned enterprise established on 8 December 2014 after the restructuring from China Everbright (Group) Corporation, with its registered capital mainly contributed by the Ministry of Finance of the PRC and Central Huijin Investment Ltd. China Everbright is a financial conglomerate mainly engaged in investment and management operations of banks, securities companies, insurance companies and other financial institutions.

CE Bank is 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. CE Bank is a subsidiary of China Everbright due to consolidation of its financial statements into those of China Everbright.

6. INTERNAL CONTROL MEASURES

In order to ensure that the pricing policy in the New Deposit Service Framework Agreement is adhered to, the Group has the following internal control procedures and policies:

- (i) the finance department of the Company shall be responsible for reviewing the pricing terms of the Deposit Services by obtaining quotations from CE Bank and at least two other independent banks for rates of deposits of an equivalent amount and for the equivalent period, and will only use the Deposit Services if the terms quoted by CE Bank are no less favourable than the terms quoted by such two other independent banks;
- (ii) the finance department of the Company shall also be responsible for monitoring and collecting on a regular basis the actual maximum daily balance of deposits to be placed by the Group with CE Bank pursuant to the New Deposit Service Framework Agreement and the Deposit Agreements, so as to ensure that the maximum daily balance will not exceed the proposed annual caps for each financial year;
- (iii) the internal control department and relevant personnel of the Company shall monitor and ensure all transactions contemplated under the New Deposit Service Framework Agreement are entered into on normal commercial terms or better, are fair and reasonable, and are carried out pursuant to the terms of the New Deposit Service Framework Agreement;

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

7. GENERAL

A circular containing, among other things, (i) further details of the New Deposit Service Framework Agreement and its proposed annual caps; (ii) the letter from the Independent Board Committee to the Independent Shareholders; (iii) the letter from Gram Capital to the Independent Board Committee and the Independent Shareholders; and (iv) other information as required under the Listing Rules, together with the notice of the EGM, will be despatched to the Shareholders not more than 15 business days after the publication of this announcement (i.e. on or before 9 December 2022) in accordance with the requirements of the Listing Rules.

8. DEFINITION

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
“CE Bank”	China Everbright Bank Co., Ltd. (中國光大銀行股份有限公司), a company established in the PRC, whose shares are listed on the Stock Exchange (stock code: 06818) and the Shanghai Stock Exchange (stock code: 601818), and a subsidiary of China Everbright due to consolidation of its financial statements into those of China Everbright and is therefore a connected person of the Company

“CE Hong Kong”	China Everbright Holdings Company Limited (中國光大集團有限公司), a company incorporated under the laws of Hong Kong with limited liability and a wholly-owned subsidiary of China Everbright
“China Everbright”	China Everbright Group Limited (中國光大集團股份有限公司), a joint stock company established in the PRC with limited liability, and a controlling shareholder of the Company
“Company”	Everbright Grand China Assets Limited (光大永年有限公司), a company incorporated in the British Virgin Islands with limited liability and transferred by way of continuation into the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 03699)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Deposit Agreements”	the deposit agreements to be entered into between members of the Group and CE Bank as contemplated under the New Deposit Service Framework Agreement
“Deposit Services”	deposit services provided by CE Bank
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held to consider and, if thought fit, to approve the transactions contemplated under the New Deposit Service Framework Agreement and its proposed annual caps
“Existing Deposit Service Framework Agreement”	the deposit service framework agreement entered into between China Everbright and the Company on 2 November 2020 in respect of the provision of the Deposit Services to the Group
“Group”	the Company and its subsidiaries and associates

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Company, the members of which consist of all the independent non-executive Directors, formed to advise the Independent Shareholders with respect to the New Deposit Service Framework Agreement and its proposed annual cap
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity as defined under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the New Deposit Service Framework agreement and its proposed annual caps
“Independent Shareholders”	Shareholders who are not required to abstain from voting at the EGM
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“New Deposit Service Framework Agreement”	the deposit service framework agreement entered into between China Everbright and the Company on 18 November 2022 in respect of the provision of Deposit Services to the Group
“PBOC”	the People’s Bank of China (中國人民銀行)
“PRC”	the People’s Republic of China
“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

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

“%” per cent.

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

Hong Kong, 18 November 2022

As at the date of this announcement, the Board comprises Mr. Liu Jia and Mr. Ma Heming as executive Directors; Ms. Wang Yun and Mr. Zhuang Minrong as non-executive Directors; and Mr. Tsoi David, Mr. Shek Lai Him Abraham, Mr. Lee Jor Hung and Mr. Wang Cheung Yue as independent non-executive Directors.