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光大證券股份有限公司
Everbright Securities Company Limited

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 6178)

ANNOUNCEMENT
WAIVER IN RELATION TO THE CONTINUING
CONNECTED TRANSACTIONS

Reference is made to the announcement of Everbright Securities Company Limited (the “**Company**”) dated August 26, 2021 (the “**Announcement**”) in relation to the continuing connected transactions, which disclosed that the Company intended to enter into the 2021 Everbright Group Financial Products and Services Framework Agreement in respect of the securities and financial products transactions and services entered into between the Company and its subsidiaries (the “**Group**”) and the Everbright Group and its associates, for a term of three years commencing from January 1, 2022 to December 31, 2024. Unless the context otherwise requires, the capitalized terms used in this announcement shall have the same meaning as those defined in the Announcement.

The Announcement also mentioned that, in the ordinary course of the business of the Group, the Group deposits its proprietary funds and customers’ funds with Everbright Bank (a connected person of the Company). The Company has again applied to the Hong Kong Stock Exchange for a waiver from strict compliance with the requirement under Rule 14A.53 of the Hong Kong Listing Rules in respect of setting a maximum daily deposit balance limit on the deposits of the Group’s proprietary funds and customers’ funds placed with Everbright Bank (the “**Waiver**”). As of the date of the Announcement, the Hong Kong Stock Exchange was yet to grant the Company the Waiver.

The Board of the Company is pleased to announce that, the Company has received a waiver letter from the Hong Kong Stock Exchange on August 31, 2021, which waives the Company’s obligation to set a maximum daily deposit balance limit on the deposits of the Group’s proprietary funds and the customers’ funds placed with Everbright Bank under the 2021 Everbright Group Financial Products and Services Framework Agreement.

The Company’s application for the Waiver is based on the following reasons:

Customers’ Funds

Pursuant to the Regulation on the Supervision and Administration of Securities Companies (《證券公司監督管理條例》) (as amended) issued by the State Council of the PRC on April 23, 2008, for a securities firm that engages in securities brokerage business, the transaction settlement funds from its customers shall be deposited in a designated commercial bank, and a separate account shall be opened and managed for each customer.

Once a customer has decided to deposit his/her funds at a particular bank, the Company shall open the account in the Company's name for the customer in accordance with such instruction. When a brokerage customer of the Company purchases securities through the Company (as such customer's securities broker), the funds would flow from such customer's individual account maintained at a particular commercial bank to the specific customers' funds account of the Company maintained at that commercial bank, which will then be settled with the relevant securities settlement agency. When a brokerage customer of the Company sells securities through the Company (as such customer's securities broker), the settlement funds would first flow from the relevant settlement agency to the specific customers' funds account of the Company maintained at the commercial bank with which that customer opened its individual account, and the settlement funds would then flow to the individual account of that customer maintained at this particular commercial bank.

The Company has no control over the amounts of such deposits and withdrawals, which are entirely at the discretion of the customer in accordance with his/her own trading requirements and the Company must act upon such instruction accordingly. In light of this, it would be extremely onerous and impracticable for the Group to estimate and set a maximum daily balance limit for such deposits.

The Group's Proprietary Funds

The Group's proprietary funds are primarily used to support the daily operation of the Group's various business lines and general working capital.

- (a) It is difficult for the Company to set a cap on the daily deposit limit on the deposits of the Group's proprietary funds, which are largely determined by ever-changing market conditions that could be fluctuated widely and unpredicted in advance by the Company.

Margin financing and securities lending business

The Company offers margin financing and securities lending to its customers in the ordinary course of business. China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限公司)(“**China Securities Depository and Clearing**”) is the statutory clearance and settlement agent for margin financing and securities lending business in China. Each PRC securities firms providing margin financing and securities lending should register its account information (the “**Settlement Account**”) with China Securities Depository and Clearing to receive the daily settlement funds in relation to the margin financing and securities lending transactions. The Company has registered the account information of its proprietary funds account maintained at Everbright Bank as the Settlement Account. The daily amount of the settlement funds of the margin financing and securities lending transactions is closely related to the daily trading volume of the margin financing and securities lending transactions, which is largely affected by the prevailing securities market conditions. Since the prevailing securities market may fluctuate from time to time, it would be difficult for the Company to predict in advance the daily trading volume of the margin financing and securities lending transactions and thus the amount of daily settlement fund received from China Securities Depository and Clearing. Meanwhile, margin financing and securities lending transactions are initiated by customers and the Company is not able to predict the transactions to be conducted by its customers in advance.

Underwriting business

In the ordinary course of its business, the Company acts as underwriter in IPOs, follow-on offerings, private placements, rights issues and offerings of equity-linked and fixed income products for corporate clients. It is the general practice in Chinese securities markets that the investors are asked to wire their subscription funds in such transactions into the principal underwriter's proprietary account first and the principal underwriter will then transfer such funds to the issuer's account in a short period after deducting fees for the sponsors and underwriters.

The amount that may be transferred to the Company's account out of such business would be depending on the deals that the Company participates as the principal underwriter and the amount that the corporate clients may raise from the offerings under the prevailing market conditions, which is hard to predict in advance. As members of the Everbright Group, the Company has established long-term cooperation with Everbright Bank in relation to the deposit of such funds raised by the Company's corporate clients under normal commercial terms or even better terms than those offered by other independent commercial banks. Through such cooperation, Everbright Bank has been quite familiar with the Company's fund operation practice and the communications between Everbright Bank and the Company are efficient and smooth. As such, it would cause unnecessary interruption to the Company's underwriting business if it has to change such account maintained at Everbright Bank to an account maintained at another independent commercial bank, which would also not be in the best interest of the Company.

Proprietary trading

The Company engages in proprietary trading of a wide range of financial products in its usual and ordinary course of business, including but not limited to equities and equity-linked securities and fixed-income products. The various financial products that the Company's proprietary trading business invests in have their respective settlement agents, including but not limited to China Securities Depository and Clearing and China Interbank Bond Market (中國銀行間債券市場). Everbright Bank has been designated by the Company as the Company's settlement bank for most of these financial products. Consequently, most of the settlement funds of the Company's proprietary trading would be placed by the settlement agents in the deposit accounts of the Company maintained at Everbright Bank. The Company may from time to time liquidate some of its proprietary financial products and portfolios in order to realize funds, the amount of which however is highly uncertain and can be very substantial, and would largely be depending on the financial market conditions that could be fluctuated widely and unpredicted in advance by the Company.

If a cap is required to be set in respect of the daily deposit balance limit on the deposit of the Group's proprietary funds realized from the Company's proprietary trading placed with Everbright Bank, it will cause undue burdensome and inconvenience to the Group because of the following reasons:

- *The Company can only obtain the information about the amount of the deposit balance of the Group's proprietary funds realized from the Company's proprietary trading placed with Everbright Bank after trading hours.*

As mentioned above, most of the settlement funds of the Company's proprietary trading would be placed by the settlement agents in the deposit accounts of the Company opened with Everbright Bank. The Company can only obtain the information about the daily amount of the funds settled from proprietary trading after trading hours. Therefore, the Company would not have the information about the actual daily balance of the deposit of its proprietary funds placed with Everbright Bank each day during trading hours of that day.

In a frequently-seen situation where annual caps are set for continuing connected transactions, a listed issuer can monitor the actual aggregate transaction amount on an ongoing basis and take proper action beforehand to ensure that the actual aggregate transaction amount would not exceed the pre-set annual cap. However, in the Company's case, because (1) the amount of the settlement funds realized from daily proprietary trading and thus the daily outstanding deposit balance placed with Everbright Bank are only known to the Company after trading hours; and (2) the Company's proprietary trading activities need to respond quickly to the changes in the highly volatile financial markets and it would cause significant inconvenience to the Company if it is required to monitor and calculate the outstanding balance on an ongoing basis, the Company is not able to take proper action beforehand to ensure that the daily outstanding deposit balance placed with Everbright Bank would not exceed the pre-set daily cap. As such, imposing a cap on the daily balance of the deposit of the Company's proprietary funds placed with Everbright Bank is not that meaningful to the Company because it may only come to realize that the actual daily balance of such deposit has exceeded the daily cap afterwards instead of beforehand.

- *Imposing a cap on the daily deposit balance of the Group's proprietary funds placed with Everbright Bank may impose unduly restrictive to the Company's proprietary trading business which may not be in the interest of the Company and its shareholders.*

The aim of the Company's proprietary trading is to maximize the investment return while ensuring the risks associated with proprietary trading are under proper control. Financial products are highly responsive to the ever-changing market conditions which requires the traders to take proper actions quickly (such as purchase, sell or liquidate proprietary financial products and portfolios) in response to the market conditions to maximize the investment return. If a cap is imposed on the daily deposit balance limit on the Company's proprietary funds placed with Everbright Bank, then when conducting the proprietary trading, the Company's traders need not only take the ever-changing market conditions into account, but also need to roughly estimate the impact on the daily deposit balance of the Company's proprietary funds placed with Everbright Bank arising from the potential investment decisions to be made. This may hamper the Company's ability to respond quickly to the changes in highly volatile financial markets and thus adversely impact the Company's investment return from proprietary trading. Therefore, such undue burdensome and unduly restrictive to the Company's proprietary trading business may not be in the interest of the Company and its shareholders.

- (b) The deposit transaction could be regarded as “passive” in nature, where the Company deposits the funds with a commercial bank and the commercial bank pays the Company corresponding interests pursuant to the relevant terms and conditions.

In choosing which bank it should place its deposits with, the Group will consider various factors such as the deposit interest rate offered by banks, the geographical convenience of the branches located both domestically and overseas and other favorable terms offered by banks. The decision made by the Group in choosing the most appropriate bank to place its deposits with is entirely driven by commercial reasons and the deposit arrangements between it and Everbright Bank are also conducted based on normal commercial terms.

The Company is inclined to deposit the proprietary funds with Everbright Bank because of the following reasons:

- (1) the Company has had long-term cooperation with Everbright Bank in fund management. For example, as mentioned above, the Company has registered Everbright Bank as its receiving bank with major settlement agencies for various financial products and transactions that the Company invests or engages so as to receive the settlement amount. Through such long-term cooperation, Everbright Bank has been quite familiar with the procedures of the Company’s fund management, which contributes to the Company’s operational efficiency in fund management. If the Company has to change such account to an account maintained at an independent commercial bank, it would cause unnecessary interruption to the Company’s daily business operation which is not in the best interest of the Company;
- (2) as the group’s overall development strategy, Everbright Group has been encouraging its member companies (including the Company and Everbright Bank) to cooperate in various aspects to achieve synergistic effect. Based on the past experience, Everbright Bank can always utilize its firm-wide resources to provide prompt support to the Group’s need for fund operation, which facilitates the effective operation of the Group’s businesses; and
- (3) prior to deciding to deposit the proprietary funds with Everbright Bank, the Group would ascertain that the terms offered to the Group by Everbright Bank are fair, reasonable and no less favorable than those offered by independent commercial banks.

In the event that any further amendments to the Hong Kong Listing Rules imposing more stringent requirements on the continuing connected transactions referred to herein than those currently applicable to the Company, the Company will take immediate steps to ensure compliance with such new requirements within a reasonable period of time.

As disclosed in the Announcement, the Company will convene an extraordinary general meeting for the purposes of, among other things, obtaining the Independent Shareholders' approval for the 2021 Everbright Group Financial Products and Services Framework Agreement and the proposed annual caps for the continuing securities and financial products transactions and securities and financial services contemplated thereunder. A circular containing further details of the 2021 Everbright Group Financial Products and Services Framework Agreement, a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders and a letter from the Independent Board Committee to the Independent Shareholders on the same and its recommendation on voting, on the proposed terms of the 2021 Everbright Group Financial Products and Services Framework Agreement and the proposed annual caps of the transactions contemplated thereunder, will be despatched to the Shareholders in due course.

By order of the Board
Everbright Securities Company Limited
Yan Jun
Chairman

Shanghai, the PRC
September 2, 2021

As at the date of this announcement, the board of directors of the Company comprises Mr. Yan Jun (Chairman, Executive Director), Mr. Liu Qiuming (Executive Director), Mr. Song Bingfang (Non-executive Director), Mr. Fu Jianping (Non-executive Director), Mr. Yin Lianchen (Non-executive Director), Mr. Chan Ming Kin (Non-executive Director), Mr. Tian Wei (Non-executive Director), Mr. Yu Mingxiong (Non-executive Director), Mr. Wang Yong (Independent Non-executive Director), Mr. Po Wai Kwong (Independent Non-executive Director), Mr. Ren Yongping (Independent Non-executive Director), Mr. Yin Junming (Independent Non-executive Director) and Mr. Liu Yunhong (Independent Non-executive Director).