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If you are in any doubt as to any aspect about this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Everbright Securities Company Limited**, you should at once hand this circular, together with the enclosed form of proxy and reply slip, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was affected for transmission to the purchaser or transferee.

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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)

**(1) RE-APPOINTMENT OF THE EXTERNAL AUDITORS
FOR THE YEAR 2021
(2) ENTERING INTO ORDINARY RELATED PARTY (CONNECTED)
TRANSACTIONS FRAMEWORK AGREEMENT WITH CHINA
EVERBRIGHT GROUP CORPORATION LIMITED
AND
(3) NOTICE OF 2021 FIRST EXTRAORDINARY
GENERAL MEETING**

**Independent Financial Advisor to
Independent Board Committee and Independent Shareholders**



The 2021 first extraordinary general meeting (the “EGM”) of Everbright Securities Company Limited (the “Company”) will be held at 2:30 p.m. on Tuesday, November 16, 2021 at Jing'an International Plaza, No. 1508 Xinzha Road, Jing'an District, Shanghai, PRC. A notice convening the EGM is set out on pages 75 to 76 of this circular.

Whether or not you are able to attend the EGM, you are advised to read the notice of the EGM and to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as early as possible. For H Shareholders, the form of proxy or any other authorization documents should be returned to the Company's H share registrar, Computershare Hong Kong Investor Services Limited, whereas A Shareholders should return the form of proxy to the Company's Board office, and in any event in person or by post no later than 24 hours before the time appointed for convening the EGM (i.e. before 2:30 p.m. on Monday, November 15, 2021) or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending in person and voting at the EGM or at any adjourned meeting if you so wish.

If you intend to attend the EGM in person or by proxy, you are required to complete and return the reply slip to Computershare Hong Kong Investor Services Limited (for H Shareholders) on or before Wednesday, October 27, 2021.

September 28, 2021

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“A Shareholders”	holders of A Shares
“A Shares”	domestic shares of the Company with a nominal value of RMB1.00 each, which are listed on the SSE and traded in RMB
“Articles of Association”	the articles of association of the Company
“associate(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“Board” or “Board of Directors”	the board of directors of the Company
“CBIRC”	China Banking and Insurance Regulatory Commission
“Company”	Everbright Securities Company Limited (光大證券股份有限公司), a joint stock company incorporated in the PRC with limited liability and whose H Shares and A Shares are listed on the main board of the Hong Kong Stock Exchange (stock code: 6178) and the SSE (stock code: 601788), respectively
“Company Law”	Company Law of the People’s Republic of China
“CSRC”	China Securities Regulatory Commission
“Dacheng Fund”	Dacheng Fund Management Co., Ltd. (大成基金管理有限公司), a joint venture of the Company
“Director(s)”	director(s) of the Company
“EGM”	the 2021 first extraordinary general meeting of the Company to be held at 2:30 p.m. on Tuesday, November 16, 2021
“ETF”	exchange-traded fund
“Everbright Asset Management”	Shanghai Everbright Securities Asset Management Co., Ltd. (上海光大證券資產管理有限公司), a wholly-owned subsidiary of the Company

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“Everbright Bank”	China Everbright Bank Co., Ltd. (中國光大銀行股份有限公司), a company incorporated under the laws of the PRC on June 18, 1992 and converted into a joint stock company with limited liability in 1997. Its A shares are listed on the SSE (stock code: 601818) and its H shares are listed on the Hong Kong Stock Exchange (stock code: 6818). Everbright Bank is a subsidiary of the Everbright Group due to consolidation of their financial statements and, therefore is a connected person of the Company
“Everbright Fortune Leasing”	Everbright Fortune Financing Leasing Co., Ltd. (光大幸福融資租賃有限公司), a controlling subsidiary of the Company
“Everbright Futures”	Everbright Futures Co., Ltd. (光大期貨有限公司), a wholly-owned subsidiary of the Company
“Everbright Group”	China Everbright Group Corporation Limited (中國光大集團股份公司) (previously known as China Everbright Group Limited (中國光大(集團)總公司)), a state-owned company incorporated under the laws of the PRC on November 12, 1990 and a controlling shareholder of the Company. The Everbright Group was converted into a joint stock company and renamed China Everbright Group Corporation Limited (中國光大集團股份公司) on December 8, 2014
“Everbright Limited”	China Everbright Limited (中國光大控股有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 165) and is the second largest shareholder of the Company
“Everbright Pramerica”	Everbright Pramerica Fund Management Co., Ltd. (光大保德信基金管理有限公司), a controlling subsidiary of the Company
“Group”	the Company and its subsidiaries
“H Shareholders”	holders of H Shares
“H Shares”	ordinary shares of the Company with a nominal value of RMB1.00 each, which are issued outside the PRC, listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars (stock code: 6178)

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“HK dollars” or “HKD”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended from time to time
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	an independent board committee comprising all Independent non-executive Directors (namely Mr. Wang Yong, Mr. Po Wai Kwong, Mr. Ren Yongping, Mr. Yin Junming and Mr. Liu Yunhong) has been formed to give advice to the Independent Shareholders with respect to the 2021 Everbright Group Financial Products and Services Framework Agreement and the proposed annual caps for the continuing connected transactions contemplated thereunder
“Independent Directors” or “Independent non-executive Directors”	the independent non-executive Directors of the Company
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Hong Kong Securities and Futures Ordinance, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the 2021 Everbright Group Financial Products and Services Framework Agreement and the proposed annual caps for the continuing connected transactions contemplated thereunder
“Independent Shareholders”	those Shareholders who are not required to abstain from voting at the forthcoming extraordinary general meeting with respect to the resolution of entering into ordinary related party (connected) transactions framework agreement with China Everbright Group Corporation Limited

DEFINITIONS

“Latest Practicable Date”	September 24, 2021, being the latest practicable date for the purpose of ascertaining certain information referred to in this circular
“PPP”	Public-private Partnership
“RMB”	Renminbi, the lawful currency of the PRC
“Securities Law”	Securities Law of the People’s Republic of China
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Shareholders”	shareholders of the Company, including A Shareholders and H Shareholders
“Shares”	shares of the Company, including A Shares and H Shares
“SSE”	Shanghai Stock Exchange
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	supervisory committee of the Company
“Wind Info” or “Wind”	Wind Information Co., Ltd. (萬得信息技術股份有限公司), a company with limited liability incorporated in the PRC in 1994 and an integrated service provider of financial data, information and software, being an independent third party

If there is any inconsistency between the Chinese and English versions of this circular, the Chinese version shall prevail.

LETTER FROM THE BOARD



光大证券
EVERBRIGHT SECURITIES

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)

Mr. Yan Jun (<i>Chairman, Executive Director</i>)	<i>Registered office and</i>
Mr. Liu Qiuming (<i>Executive Director</i>)	<i>principal place of</i>
Mr. Song Bingfang (<i>Non-executive Director</i>)	<i>business in the PRC:</i>
Mr. Fu Jianping (<i>Non-executive Director</i>)	No. 1508 Xinzha Road,
Mr. Yin Lianchen (<i>Non-executive Director</i>)	Jing'an District,
Mr. Chan Ming Kin (<i>Non-executive Director</i>)	Shanghai,
Mr. Tian Wei (<i>Non-executive Director</i>)	PRC
Mr. Yu Mingxiong (<i>Non-executive Director</i>)	
Mr. Wang Yong (<i>Independent Non-executive Director</i>)	<i>Place of business in Hong Kong:</i>
Mr. Po Wai Kwong (<i>Independent Non-executive Director</i>)	12/F, Everbright Centre,
Mr. Ren Yongping (<i>Independent Non-executive Director</i>)	108 Gloucester Road,
Mr. Yin Junming (<i>Independent Non-executive Director</i>)	Wan Chai,
Mr. Liu Yunhong (<i>Independent Non-executive Director</i>)	Hong Kong

September 28, 2021

To the Shareholders

Dear Sir or Madam,

**(1) RE-APPOINTMENT OF THE EXTERNAL AUDITORS
FOR THE YEAR 2021**

**(2) ENTERING INTO ORDINARY RELATED PARTY (CONNECTED)
TRANSACTIONS FRAMEWORK AGREEMENT WITH CHINA EVERBRIGHT
GROUP CORPORATION LIMITED**

AND

**(3) NOTICE OF 2021 FIRST EXTRAORDINARY
GENERAL MEETING**

I. INTRODUCTION

On behalf of the Board, I would like to invite you to attend the EGM to be held at 2:30 p.m. on Tuesday, November 16, 2021 at Jing'an International Plaza, No. 1508 Xinzha Road, Jing'an District, Shanghai, PRC. The purpose of this circular is to give you notice of the EGM and to provide you with information reasonably necessary to enable you to make an informed decision on whether to vote for or against the resolutions to be proposed at the EGM.

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At the EGM, ordinary resolutions will be proposed to approve (1) the resolution of the re-appointment of the external auditors for the year 2021; and (2) the resolution of entering into ordinary related party (connected) transactions framework agreement with China Everbright Group Corporation Limited.

Ordinary Resolutions:

1. To consider and approve the resolution of the re-appointment of external auditors for the year 2021

Reference was made to the announcement of the Company dated August 26, 2021 in relation to the re-appointment of external auditors for the year 2021. On August 26, 2021, the Board considered and approved to (1) re-appoint Ernst & Young Hua Ming LLP (Special General Partnership) as the domestic external auditors of the Company for the year 2021 to provide relevant domestic audit services in accordance with PRC Accounting Standards for Business Enterprises; (2) re-appoint Ernst & Young as the overseas external auditors of the Company for the year 2021 to provide relevant overseas audit and review services in accordance with the International Financial Reporting Standards; and (3) authorize the management of the Company to determine the audit fees based on the market principles and to enter into relevant contracts.

The above resolution has been considered and approved by the Board on August 26, 2021 and is hereby presented to the EGM for consideration and approval.

2. To consider and approve the resolution of entering into ordinary related party (connected) transactions framework agreement with China Everbright Group Corporation Limited

In the ordinary course of business of the Group, the Group, from time to time, enters into securities and financial products transactions (the “**Securities and Financial Products Transactions**”) with the Everbright Group and its associates, and also provides securities and financial services (the “**Securities and Financial Services**”) to the Everbright Group and its associates. Similarly, the Everbright Group and its associates also enter into the Securities and Financial Products Transactions with the Group and provide the Securities and Financial Services to the Group on normal commercial terms.

Reference is made to the announcement of the Company dated August 28, 2018, where the Company and Everbright Group entered into a financial products and services framework agreement (the “**2018 Everbright Group Financial Products and Services Framework Agreement**”) for a term of three years commencing from January 1, 2019 to December 31, 2021.

Taking into account the expiry of the 2018 Everbright Group Financial Products and Services Framework Agreement on December 31, 2021, the Company proposes to renew the financial products and services framework agreement between the Company and the Everbright

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Group (the “**2021 Everbright Group Financial Products and Services Framework Agreement**”) on the basis of the 2018 Everbright Group Financial Products and Services Framework Agreement for a term of three years commencing from January 1, 2022 to December 31, 2024.

A Securities and Financial Products Transactions

A.1 Scope

A.1.1 Scope of the Securities and Financial Products Transactions

The Securities and Financial Products Transactions include the transactions relating to (a) securities products with fixed income features; (b) fixed income related derivative products; (c) equity-related products; (d) financing transactions; and (e) other related securities and financial products permitted to be transacted under applicable laws and regulations. There is no change in terms of the scope of such securities and financial products transactions as compared to those under the 2018 Everbright Group Financial Products and Services Framework Agreement.

Set forth below is a further elaboration of the scope of the Securities and Financial Product Transactions under the 2021 Everbright Group Financial Products and Services Framework Agreement:

- securities products with fixed income features, including but not limited to, bonds, funds, trust products, wealth management products, asset management schemes, assets securitization products, convertible bonds, bond lending and borrowing, structured products, swaps, futures, forwards, options and other financial products with fixed income features;
- fixed income related derivative products, including but not limited to, interest rates and credit derivative products;
- equity-related products, including but not limited to, trading and/or subscription of equities (including in connection with market-making activities on the National Equities Exchange and Quotation) (the “**New Third Board**”), funds, trust products, wealth management products, asset management products and equity derivative products, including but not limited to income swaps and convertible bonds;
- financing transactions – financing transactions among financial institutions with or without guarantees/pledges, including but not limited to, interbank lending, repurchase, interbank deposits,

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usufruct, asset securitization, corporate account overdrafts, pledge loans, holding of debt certificates (including but not limited to, short-term financing bonds, structured notes, subordinated debts and corporate bonds); and

- other related securities and financial products permitted to be transacted under applicable laws and regulations, including but not limited to, futures, foreign exchange, commodities trading and options.

A.2 Pricing Basis of the Securities and Financial Products Transactions

The Securities and Financial Products Transactions are conducted through the PRC inter-bank bond market and the PRC exchange bond market, exchanges (including stock exchanges, futures exchanges, Shanghai Gold Exchange and China Foreign Exchange Trade System) and the open-ended fund market. Such transactions are and will continue to be carried on at the prevailing market prices in the ordinary and usual course of the Group's business and with high frequency. The pricing mechanisms of the Securities and Financial Products Transactions depend on the particular trading venue on which the relevant transaction is carried on.

- (1) Securities and financial products traded on the PRC inter-bank bond market and PRC exchange bond market

The major types of securities and financial products traded on the PRC inter-bank bond market and the PRC exchange bond market include inter-bank lending, collateralized repurchase, buyout repurchase, spot trading, bond lending, asset securitization products, interest rate swap and inter-bank deposit. The pricing of the transactions conducted at the PRC inter-bank bond market and the PRC exchange bond market is based on the prices quoted in the PRC inter-bank bond market and the PRC exchange bond market. Such prices are mainly determined with reference to the valuation of the relevant securities and financial products published by China Central Depository & Clearing Co., Ltd. ("CCDC"), yield curve and the turnover details published by China Foreign Exchange Trading System & National Interbank Funding Centre ("NIFC").

The Company has access to the NIFC and CCDC systems to obtain turnover information of the relevant securities and financial products. At the same time, the Company also reviews various bond market information published by NIFC, CCDC and other agents. For example, NIFC composes repurchase rates which is one of the key benchmarks for repurchase transactions in the PRC financial market. In addition, the Company has subscribed for information services provided by information service providers, such as Wind Info, and has access to information channels and websites of

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official and voluntary industry regulatory authorities, such as Asset Management Association of China, Chinamoney.com.cn and Chinabond.com.cn, etc., which publish periodic official and voluntary statistics and information on the industry from time to time.

China's interbank bond market is an open, highly regulated quote-driven market regulated by the People's Bank of China (the "PBOC") pursuant to the Measures for the Administration of Bond Transactions in the National Interbank Bond Market (《全國銀行間債券市場債券交易管理辦法》). Transactions in the PRC interbank bond market must be reported to NIFC and are supervised by NIFC, CCDC and the National Association of Financial Market Institutional Investors ("NAFMII"). According to the relevant PRC laws and regulations, the prevailing market prices in the PRC interbank bond market are determined with reference to the bid and offer prices quoted on NIFC. All transactions, whether conducted through an authorized intermediate money brokerage firm or a market maker or through over-the-counter negotiations, have to be reported to NIFC and reflected in the price quotations provided by NIFC and CCDC. According to the Self-regulatory Rules for Bond Transaction in Inter-bank Bond Market (《銀行間債券市場債券交易自律規則》), the self-regulatory rules of NAFMII, abnormal pricing may result in disciplinary action by NAFMII, including public criticism. NAFMII is a self-regulatory organization responsible for supervising interbank transactions.

The PRC exchange bond market is an order-driven market governed by the CSRC. The transactions conducted through the PRC exchange bond market have to be conducted in accordance with the prevailing market prices quoted on the relevant PRC stock exchanges.

(2) Securities and financial products traded on the exchanges

The major types of securities and financial products traded on the Shanghai Stock Exchange, Shenzhen Stock Exchange, Shanghai Gold Exchange, China Financial Futures Exchange and China Foreign Exchange Trade System include equities, funds, bonds (mainly including bond repurchase and asset securitization products), bullion products, futures and foreign exchange products. Share options are also traded on the Shanghai Stock Exchange. Call auction mechanism is mainly adopted in these exchanges and the pricing is primarily determined with reference to the turnover of a particular securities and financial product. The Company has access to the trading systems of the relevant exchanges to obtain the real-time quotations of the relevant securities and financial products.

Certain securities and financial products may be traded on different exchanges. The pricing mechanisms of these securities and financial products shall be the pricing mechanisms adopted by the relevant exchange on which

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such securities and financial products are traded. For example, repurchases conducted through the stock exchange shall adopt call auction mechanism, whereas inter-bank repurchases shall be determined with reference to the benchmark interest rates, fixed repo rates published by NIFC and market turnover.

(3) Securities and financial products traded on the open-ended fund market

The major types of securities and financial products traded on the open-ended fund market include fund products, trust products, wealth management products and asset management products (collectively, the “**Fund Products**”). The pricing of transactions conducted through the open-ended fund market is determined based on the unit net value of the relevant Fund Products on the date of transaction. The unit net value of such Fund Products is calculated by dividing the net asset value of the Fund Products by the total number of the fund units. The net asset value of the Fund Products is determined based on the China Accounting Standards for Business Enterprises and in accordance with the relevant requirements of the CSRC and the Asset Management Association of China, and taking into account the fund portfolio consisting of securities, bank deposits, receivables and other investments. The calculation of the unit net value of the Fund Products is set forth in the relevant fund contract and prospectus, and equally applies to all investors of the Fund Products. Pursuant to the relevant PRC laws and regulations, the unit net value of the Fund Products determined by fund managers shall be reviewed and examined by the relevant fund custodian bank and publicly disclosed on the relevant fund manager’s website and the media designated by the CSRC.

With respect to the pricing of securities and financial products without direct market quotations, the Company mainly refers to the quotation information provided by currency brokers. Currency brokers are entities set up with the approval of the CBIRC and subject to its regulation. Currency brokers specialize in facilitating transactions including intra-financial system financing, foreign exchange transactions, bond transactions and derivative transactions, who charge a commission from the provision of such brokerage services but do not directly engage in transactions of the relevant securities and financial products.

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A.3 Pricing Approval and Supervision of the Securities and Financial Products Transactions

To ensure the terms of the Securities and Financial Products Transactions are normal commercial terms or on terms no less favourable than terms applicable to independent third parties, the Group has adopted a series of internal approval and monitoring procedures. The major internal policies include the following:

- (1) The Group has established its internal guidelines and policies for conducting transactions of different types of securities and financial products. Such policies and guidelines set out the requirements for pre-trading pricing enquiries, applicable interest rates, the procedures for price determination, approval authority and procedures, record keeping, supervision and review procedures for conducting transactions of different types of securities and financial products.
- (2) Before confirming the pricing of the transactions to be entered between the business departments or the subsidiaries of the Company on the one hand and the Everbright Group and its associates on the other, the Group shall refer to the pricing offered to or quoted by two or more independent third parties for contemporaneous transactions in similar quantities to determine if the pricing and terms for the relevant transaction are fair, reasonable and no less favourable than those quoted by independent third parties to the Group or no more favourable than those offered by the Group to independent third parties, as the case may be.
- (3) To further strengthen the management of related party/connected transactions of the Company, align the differences regarding the regulatory requirements on related party/connected transactions between Mainland China and Hong Kong after the listing of H Shares of the Company on the Hong Kong Stock Exchange and strictly manage the related party/connected transaction risks, the Company established a related party/connected transactions working group (the “**Related Party/Connected Transactions Working Group**”) in 2016. The Related Party/Connected Transactions Working Group comprises the Company’s relevant personnel from the Office of the Board (Supervisory Committee), Legal and Compliance Department and Finance and Treasury Department, which is responsible for managing the Group’s related party/connected transactions on a daily basis. The business departments and the Company’s subsidiaries proposing to engage in various types of transactions shall take the responsibility to prove that the related party/connected transactions are entered into on normal commercial terms or on terms no less (more) favourable to those obtained or provided by independent third parties, and provide relevant evidence to prove such assertion according to the requirements of the Related Party/Connected Transactions Working Group.

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- (4) The Related Party/Connected Transactions Working Group collects data from the relevant business departments and the Company's subsidiaries and reviews the actual transaction amounts of Securities and Financial Products Transactions on a regular or ad hoc basis to ensure that the annual caps would not be exceeded and remind the business departments and the Company's subsidiaries to supervise and control such connected transactions.
- (5) The continuing connected transactions are subject to annual review by all the independent non-executive Directors, the internal audit department of the Company and the auditors of the Company. The results of the review conducted by the independent non-executive Directors and the auditors of the Company are disclosed in the annual report of the Company.
- (6) Documents and records with respect to related party/connected transactions are required to be maintained and kept properly.

A.4 Historical Transaction Amounts of the Securities and Financial Products Transactions

The historical transaction amounts of the Securities and Financial Products Transactions under the 2018 Everbright Group Financial Products and Services Framework Agreement between the Group and the Everbright Group and its associates for the two financial years ended December 31, 2020 and the six months ended June 30, 2021 are as follows:

Securities and Financial Products Transactions	Approximate historical transaction amounts		for the
	for the year ended		six months
	December 31,		ended
	2019	2020	June 30,
	<i>(RMB million)</i>		2021
In ⁽¹⁾	117,603	165,053	60,236
Out ⁽²⁾	134,542	168,930	65,377

Notes:

- (1) "In" means the total cash inflow to the Group arising from sale of fixed income products and equity related products, interest received from derivative products associated with fixed income products, and through borrowing/repurchase from financing transactions.
- (2) "Out" means the total cash outflow from the Group arising from purchase of fixed income products and equity related products, interest paid for derivative products associated with fixed income products, and through lending/reverse repurchase from financing transactions.

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A.5 Proposed Annual Caps of the Securities and Financial Products Transactions for the Three Financial Years Ending December 31, 2024

A.5.1 Reasons for setting the total inflow and outflow of the Securities and Financial Products Transactions as the annual caps

Due to the nature of the Securities and Financial Products Transactions as described below, the Company considers that it is impracticable to set maximum aggregate annual value for each category of these transactions:

- (1) The volume of the Securities and Financial Products Transactions is affected by various external factors, such as economic and market conditions. Fluctuations in the PRC and Hong Kong financial markets may cause fluctuations in the volume of these transactions. Accordingly, the volume of these transactions varies from time to time and from year to year, and reference to historical amounts for these transactions may not be a fair indication of the expected aggregate value of the transactions for the next three financial years.
- (2) Each of the Securities and Financial Products Transactions is entered into at the prevailing market prices in the ordinary and usual course of the Group's business with high frequency and is market-driven, which is based on, among others, the bidding price and timeliness of the bids. For example, the Company enters into interbank lending transactions and repurchase transactions with counterparties (including the Everbright Group and its associates) in open markets through the National Interbank Funding Centre. The prices and process of these transactions are highly transparent. The rates for interbank lending are publicly published, while the interest rate for repurchases are determined in accordance with the benchmark repurchase rate. The Company's counterparties in these transactions are determined primarily by transaction prices and timeliness, instead of by the Company's subjective consideration.
- (3) Most of these transactions are entered into in a very short time frame and are very sensitive to market prices. If an annual cap is set for each category of these transactions, it would cause significant delay to such transactions and harm to the Group's existing operations and potential growth to the detriment of the Company and the Shareholders as a whole and restrict the Company's overall competitiveness in a highly competitive securities industry. Therefore, strict adherence to the requirement of setting a maximum aggregate annual value for these transactions is impracticable to the Group.

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- (4) The Company or its subsidiaries plays a relatively passive role in some of the Securities and Financial Products Transactions that the Company or its subsidiaries enters into with the Everbright Group and its associates. As such, it is difficult for the Company or its subsidiaries to estimate the expected aggregate value of these transactions. For example, Everbright Bank invests in the asset management schemes issued by the Company and its subsidiaries with funds from its banking customers. In making such investment decisions, Everbright Bank is free to choose which asset management schemes to invest in, just like any other investors in the market. As a listed company, Everbright Bank exercises independent judgment when making such investment decisions and has adopted internal control measures to monitor its investment decision making. The Company or its subsidiaries has no control over which asset management schemes or financial products Everbright Bank chooses to invest in, as well as the amount of its investments.
- (5) All such transactions will continue to be entered into at the prevailing market prices in an open market in the ordinary and usual course of the Group's business.

Based on the above reasons, the Company considers that it is more practicable to set annual caps for the total inflow and outflow of the Securities and Financial Products Transactions instead.

A.5.2 Proposed annual caps for the three financial years ending December 31, 2024

The Directors estimate that the annual caps of the total inflow and outflow of the Securities and Financial Products Transactions under the 2021 Everbright Group Financial Products and Services Framework Agreement between the Group and the Everbright Group and its associates for each of the 2022, 2023 and 2024 financial years are as follows:

Securities and Financial Products Transactions	For the year ending December 31,		
	2022	2023	2024
	<i>(RMB million)</i>		
In ⁽¹⁾	560,000	670,000	804,000
Out ⁽²⁾	560,000	670,000	804,000

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Notes:

- (1) “In” means the total cash inflow to the Group arising from sale of fixed income products and equity related products, interest to be received from derivative products associated with fixed income products, and through borrowing/repurchase from financing transactions.
- (2) “Out” means the total cash outflow from the Group arising from purchase of fixed income products and equity related products, interest to be paid for derivative products associated with fixed income products, and through lending/reverse repurchase from financing transactions.

A.5.3 Basis of determination of the proposed annual caps of Securities and Financial Products Transactions

When estimating the annual caps of the inflow and outflow of the Securities and Financial Products Transactions, the Directors have taken into account, among others, the following major factors:

General factors

- (1) The financial market in the PRC will continue to develop and new securities and financial products will constantly be issued

According to the statistics of the PBOC, the bond market in the PRC maintained stable operation from 2019 to 2020. The issuance volume of bonds increased significantly, the existing size expanded and the transaction settlement recorded higher growth. In 2020, the bond market witnesses the issuance of various bonds with RMB37.75 trillion, representing a year-on-year increase of 39.62%. The total custody amount in the bond market reached RMB104.32 trillion, representing a year-on-year increase of 19.38%. The transaction settlement amount in the bond market totaled RMB1,540.11 trillion, representing a year-on-year increase of 17.81%. Since 2019, various innovative securities and financial products in the PRC have constantly been launched. As the opening-up of the PRC financial industry accelerates, the financial market structure will further expand, alongside with more diversified financial products, resulting in more frequent Securities and Financial Products Transactions.

- (2) Increasing cooperation between the securities companies and the banks and investments in each other’s financial products

The liberalization of interest rates in China has led the banking institutions in China to turn to wealth management products to attract deposits from customers. Although the commercial banks in China have good customer networks, they are still at an early stage of exploration in aspects of research, investment and settlement management, product design and assets management. In addition, the commercial banks in China are restricted by the PRC laws and regulations to engage in equity investments. The asset

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management products and funds of the securities companies can therefore provide better investment channels to the commercial banks in China, including direct investment in equity investments.

It is expected that Everbright Bank will increasingly invest in the asset management products and funds issued by the Group to take advantage of the professional knowledge and experience of the Group in research and development and management of financial products. On the other hand, the Group can also increase the investment in the wealth management products of Everbright Bank for obtaining stable investment returns.

(3) Rapid growth of business scale of the Everbright Group and the advancing of synergistic strategy

In recent years, the Everbright Group achieved rapid business development and has been ranking higher among the Global 500. The level of its operation and management continuously increased and the business development maintained good momentum. In 2019, the Everbright Group launched the E-SBU coordinated development strategy with an aim to enhance its cooperation with companies comprising the Everbright Group and realize synergies in aspects such as customer base expansion and channel exploration. The Company is committed to building an ecosystem of coordinated business development and providing diversified and integrated financial products and services to domestic and overseas customers. Full internal and external linkage and distinctive synergy has created balanced and stable revenue streams for the Company. From 2022, the Group will facilitate coordination and linkage, integrate the resources of the Company, and give play to cluster advantages. It will continue to explore internal potential, vigorously expand sources of revenue and promote the stable growth of various businesses.

(4) Expansion of the Group's business scope and introduction of innovative products

The Group provides extensive financial products and services to its customers. In recent years, the Group has been focusing on the transformation of product sales and revenue model. It built three product systems, further improved product evaluation and asset allocation capabilities and continued to enrich the types and quantities of its financial products. For example, the Company introduced the first mutual REITs on water in the PRC and other innovative products, the first ABN program on state subsidy tariffs as well as the first corporate bond on technological entrepreneurship of central enterprise groups in 2021. Therefore, it is expected that the total net inflow and total net outflow of the Securities and Financial Products Transactions will further grow.

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Specific factors and considerations

When estimating the annual caps for total net inflow and total net outflow, the Company has considered whether there are historical transactions in respect of a particular type of securities and financial products. Where there are related historical transactions, the Company will calculate the percentage of historical transaction amount to the total historical transaction amount of that particular product and use the percentage value to calculate the estimated transaction amount for the next three financial years. The percentage value was adjusted by considering the volatility and growth of the product. Where there is no relevant historical transaction between the Everbright Group and its associates, the Company considered the total historical transaction amount of that particular product, estimated a percentage of transaction between the Everbright Group and its associates by considering the volatility and growth of the product, and used the percentage value to predict the estimated transaction amount for the next three financial years.

The followings are the main specific factors and considerations that the Directors have taken into account when estimating the proposed annual caps of the inflow and outflow of the Securities and Financial Products Transactions:

- (1) The Group will continue to conduct trading on securities products with fixed income features with the Everbright Group and its associates in the ordinary course of business in the following three financial years. Considering the scale expansion of the bond financial market in the PRC and the market trends, the corresponding total inflow and outflow will increase in the following three financial years. The transaction amounts are expected to reach approximately 18%, 17% and 17% of the proposed annual caps of Securities and Financial Products Transactions in 2022, 2023 and 2024, respectively. In particular, the growth trend mainly lies in repurchase business and bond trading business as listed below:
 - (i) The repurchase business accounts for vast majority proportion of trading on securities products with fixed income features. From 2019 to 2020, the Company reduced the position based on changes to market conditions. The price spread among capitals with different terms expanded due to the increased volatility of market interest rates under the impacts of the reoccurrence of the pandemic. To effectively reduce the cost on capital operations, the Company shortened the trading terms of capitals and improved the frequency of trading. This trend is expected to further continue.

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In addition, based on the market trends since 2021, the Company plans to gradually expand the overall size of the repurchase business in the following three years. The trading volume of capitals arising from the repurchase business will enjoy huge growth potential in the following three years. It is expected that the total cash inflow and outflow will double in 2022 and increase at a lower average speed of approximately 20% each year from 2023 to 2024.

(ii) The bond transactions between the Group and the Everbright Group and its associates are mainly the purchase of bonds underwritten by Everbright Bank and issued by other companies comprising the Everbright Group. As a major participant in the bond underwriting market, Everbright Bank has achieved rapid business development in recent years. In 2020, the total amount of bonds underwritten by Everbright Bank recorded a year-on-year increase of 70% and the scale of bonds issued by companies comprising the Everbright Group recorded a year-on-year increase of 137.7%. Meanwhile, the amount of bonds of Everbright Bank purchased by the Group increased significantly in recent years. With the further expansion of the bond financial market in the PRC and the strong development momentum of the bond underwriting business of Everbright Bank, it is expected that the size of bonds underwritten by Everbright Bank and issued by other companies comprising the Everbright Group to be purchased by the Group will increase substantially, which will maintain an annual increase of approximately 70% from 2022 to 2024.

(2) The Company mainly conducts asset management business through its wholly-owned subsidiary, Everbright Asset Management. As the transitional period for the implementation of new regulations on asset management will end in the end of 2021, Everbright Asset Management is expected to complete the rectification of the existing products by the end of 2021 to create more favorable conditions for the business development of the Company. Meanwhile, the Measures for the Supervision and Administration of Mutual Fund Managers (Draft for Solicitation of Comments) (《公開募集證券投資基金管理人監督管理辦法(徵求意見稿)》) issued by the CSRC proposed to relax restrictions on the qualification of mutual fund managers. Everbright Asset Management plans to apply for the abovementioned qualification after the implementation of the regulation to carry out asset management business in broader and more standard industries.

As at the end of 2020, the size of assets under management of Everbright Asset Management was RMB233.612 billion and the assets under active management increased 14.5% from the previous year. Driven by the coordinated cooperation strategy of the Everbright Group, Everbright Asset Management will carry out

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closer business cooperation with Everbright Bank, Everbright Trust and Everbright Wealth Management under the Everbright Group. The size of business cooperation between Everbright Asset Management and companies comprising the Everbright Group surged rapidly in recent years. For example, the existing business scale with Everbright Trust as at the end of 2020 increased 7.7 times as compared with the end of 2019. It is expected that the total inflow and outflow of onshore and offshore asset management products between the Group and the Everbright Group and its associates will account for approximately 9%, 7% and 6% of proposed annual caps of Securities and Financial Products Transactions in 2022, 2023 and 2024, respectively.

- (3) Based on the lending business under the cooperation between the Company and other major state-owned joint-stock banks, the total flow reached RMB957.3 billion (with counterparties including China Guangfa Bank, SPD Bank, Postal Savings Bank of China, Ping An Bank, China Minsheng Bank, etc.) in 2020, representing a year-on-year increase of 300%, of which, the flow with Everbright Bank was RMB38 billion. It is expected that the total interbank lending flow of the Company will reach RMB1,200 billion in 2021 and the average flow with each counterparty will be approximately RMB240 billion, which is expected to grow at a rate of about 5% in the following three years.

If the amount of the lending transactions of the Company increases in the future or the price of Everbright Bank is fair, the lending transactions between the Company and Everbright Bank will increase to the level close to the average flow with the abovementioned five banks. The interbank lending transaction flows between the Company and Everbright Bank is expected to account for approximately 47%, 38% and 33% of proposed annual caps of Securities and Financial Products Transactions in 2022, 2023 and 2024, respectively.

- (4) The financial derivatives market in the PRC developed rapidly in recent years. The Company established the Financial Innovation Business Headquarters in early 2021 to develop the derivatives investment and trading business, and began to conduct more frequent and large-scale financial product transactions with other members of the Everbright Group. The Company expects that the size of the following three types of financial product transactions will increase significantly in the following three financial years, amounting to approximately 22%, 34% and 42% of proposed annual caps of Securities and Financial Products Transactions in 2022, 2023 and 2024, respectively:
- (i) As key market participants, Everbright Trust and Everbright Bank are providing increasingly diversified and strategized products for wealth management customers. With the strong

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demand for providing customers with downside protection and value investment, there is an increasingly growing need for the Company to provide a large quantity of income receipts as investment products. On the basis of considering the overall size of similar business transactions of peers in the industry and the pricing conditions in the market, the Company estimated the total amount of income receipts transactions with the Everbright Group and its associates each year. It expected that with the further deepening of the cooperation between the Group and the Everbright Group and its associates, the scale of financial innovation business will grow substantially in the following three financial years.

- (ii) The Company also provides corporate OTC derivative business services to the Everbright Group and its associates. While conducting business with companies comprising the Everbright Group with OTC options, income swaps and other equity products, the Group's financial innovation business will provide a large quantity of performance guarantees for such transactions. With reference to the business performance of peer securities companies in the market and on the basis of the estimated nominal principal and the performance guarantee proportion, the Company expects that the total inflow and outflow on the OTC financial derivative transactions with the Everbright Group and its associates each year will increase significantly in the following three financial years.
- (iii) In terms of customer services for companies comprising the Everbright Group, the Group's financial innovation business provides corporate customers within the Everbright Group with share repurchase, share reduction and other services, and provides listed companies within the Everbright Group and substantial shareholders with private placement, M&As, employee stock ownership plans and other resolutions on derivatives through the different structures of OTC derivatives. Currently, the Everbright Group has 12 listed companies in total. With reference to the market capitalization and share prices of listed companies within the Group and on the basis of the current demands for corresponding derivatives, the Company expects to record financial derivative transactions with larger size in the following three financial years.

In particular, the total inflow and outflow of (1) securities products transactions with fixed income features; (2) asset management business; (3) lending business; and (4) financial innovation business as listed above, represents over 90% of the proposed annual caps of the Securities and Financial Products Transactions for the year ending December 31, 2022, and is expected to remain at same level in 2023 and 2024.

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A.6 Maximum Daily Balance of Deposits and Waiver

In the ordinary course of the Group's business, the Group deposits its proprietary funds and customers' funds with Everbright Bank (a connected person of the Company). Reference is made to the announcements of the Company dated August 26, 2021 and September 2, 2021, which disclosed the application to the Hong Kong Stock Exchange for a waiver to set a maximum daily deposit balance limit on the deposits of the Group's proprietary funds and customers' funds placed with Everbright Bank (the "**Maximum Daily Deposit Balance Limit**"), and the Hong Kong Stock Exchange has granted the Company a waiver from strict compliance with the maximum daily balance requirements set out in Rule 14A.53 of the Hong Kong Listing Rules. Such waiver will be valid until December 31, 2024.

In terms of the customers' funds, the Company has no control over the amounts of such deposits and withdrawals, which are entirely at the discretion of a 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 the Maximum Daily Deposit Balance Limit in respect of the customers' funds.

In terms of the Group's proprietary funds:

- (1) 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 has registered the account information of its proprietary funds maintained at Everbright Bank with China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限公司) ("**China Securities Depository and Clearing**"), the statutory clearance and settlement agent for margin financing and securities lending business in China, as the settlement account to receive the daily settlement funds in relation to the margin financing and securities lending transactions.

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

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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:

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.

- Proprietary trading:

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.

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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:

- (i) 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.
 - (ii) 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.
- (2) Additionally, 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:

- (i) 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

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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;

- (ii) 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
- (iii) 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.

Given the factors above, the Company has again applied to the Hong Kong Stock Exchange for a waiver from strict compliance with setting the Maximum Daily Deposit Balance Limit as required under Rule 14A.53 of the Hong Kong Listing Rules. The Company was granted a waiver from the Hong Kong Stock Exchange on August 31, 2021 which waives the Company's obligation to set the Maximum Daily Deposit Balance Limit under the 2021 Everbright Group Financial Products and Services Framework Agreement. For detailed reasons for the application for such waiver, please refer to the announcement of the Company dated September 2, 2021.

B Securities and Financial Services

B.1 Scope of the Securities and Financial Services

B.1.1 Scope of the Securities and Financial Services to be provided by the Group to the Everbright Group and its associates

The scope of the Securities and Financial Services to be provided by the Group to the Everbright Group and its associates include (a) underwriting and sponsorship services; (b) other investment banking services; (c) brokerage services; (d) proxy sale of financial products services; (e) entrusted asset

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management services; (f) leasing of trading seats; (g) fund investment advisory services, other financial and securities advisory and consulting services and commodities services; (h) PPP financial services; (i) financial leasing services and factoring financial services; (j) custody and outsourcing services; (k) insurance brokerage and consultancy services; and (l) other securities and financial services permitted by the applicable laws and regulations.

Set forth below is a further elaboration of the scope of the Securities and Financial Services to be provided by the Group to the Everbright Group and its associates:

- underwriting and sponsorship services, including but not limited to issuance, sponsorship, underwriting, and continuous supervision and guidance services for equities, fixed income products, structured products and other derivative products
- other investment banking services, including, but not limited to, financial advisory services relating to corporate restructuring, reorganization, mergers and acquisition; asset management related wealth management product investment advisory services; and consulting services
- brokerage services, including but not limited to, securities brokerage and related financial products services as well as futures brokerage services such as treasury bond futures
- proxy sale of financial products services, including but not limited to, provision of proxy sales for financial products
- entrusted asset management services, including but not limited to, asset management services for assets entrusted by customers
- leasing of trading seats
- fund investment advisory services, other financial and securities advisory and consulting services, commodities services and etc.
- PPP financial services
- financial leasing services and factoring financial services
- custody and outsourcing services, including but not limited to, provision of asset custody, product valuation and calculation, investment supervision, share registration, information disclosure and etc.

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- insurance brokerage and consultancy services
- other securities and financial services permitted by the applicable laws and regulations

B.1.2 Scope of the Securities and Financial Services to be provided by the Everbright Group and its associates to the Group

The scope of the Securities and Financial Services to be provided by the Everbright Group and its associates to the Group include (a) deposit services; (b) proxy sale of financial products services; (c) deposits management and custody services; (d) loan services; (e) insurance services; (f) financial leasing services and factoring financial services; (g) financial and securities advisory and consulting services; and (h) other securities and financial services permitted by the applicable laws and regulations. There is no change in terms of such scope of the Securities and Financial Services as compared to those under the 2018 Everbright Group Financial Products and Services Framework Agreement.

Set forth below is a further elaboration of the scope of the Securities and Financial Services to be provided by the Everbright Group and its associates to the Group:

- deposit services, including but not limited to, (a) deposits of cash balances arising from the Group's business operations including cash from daily operations, proceeds raised from equity and bond issuances; (b) cash deposits from the Group's customers; and (c) other deposits
- proxy sale of financial products services, including but not limited to, provision of agency sale services for the Group's financial products and precious metals
- deposits management and custody services, including but not limited to, management services provided by members of the Everbright Group for managing the deposits of the Group's non-financial institution customers, which are required by the relevant PRC laws and regulations to be deposited into the Group's special account with a PRC commercial bank, and custody services provided by members of the Everbright Group for the securities and financial products issued by the Group
- loan services, including but not limited to, funds required for daily operations and loans as working capital

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- insurance services, including but not limited to, employee insurance
- financial leasing service and factoring financial services
- financial and securities advisory and consulting services, monetary brokerage services and commodities services, etc.
- other securities and financial services permitted by the applicable laws and regulations

B.2 Pricing Basis of the Securities and Financial Services

B.2.1 Pricing basis of the Securities and Financial Services to be provided by the Group to the Everbright Group and its associates

The Group primarily charges service fees, commissions and other fees for the Securities and Financial Services to be provided to the Everbright Group and its associates. The respective pricing mechanisms for the relevant Securities and Financial Services are set forth below:

- (1) **underwriting and sponsorship services:** the securities underwriting and sponsorship services market is highly competitive and the commission rates and fees have become generally transparent and standardized across the market. The commission rates and fees charged to the Everbright Group and its associates by the Company are determined based on arm's length negotiation with reference to factors including the prevailing market rates for offerings of a similar type and the amount of proceeds raised from the offering.

With respect to the equity-related underwriting and sponsor services, the fees are determined with reference to the prevailing market rates for transactions of similar type and size and taking into account the nature of the particular offering, the complexity of the transaction, the size of the transaction, the frequency the relevant customer engaging in transactions with the Company and the prevailing market conditions. Based on the foregoing factors, the fees are determined through competitive bidding and business negotiation or with reference to the standard fee charged by independent third parties in other similar projects.

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With respect to the underwriting fee for enterprise bonds, the Company mainly refers to the standard underwriting fee proposed under the relevant laws and regulations and makes corresponding adjustments after taking into account the enterprise bond issuer's qualifications and market conditions.

With respect to the underwriting fee for corporate bonds, interbank products and asset securitization products, given that the competent authorities have not formulated any guidance on the underwriting fee of such products, the underwriting fees among the industry vary according to the issuer, type and term of bonds. The rate charged by the Company generally ranges from 0.01% to 0.5%, which is mainly determined based on the foregoing factors and negotiations with issuer and competitive bidding.

- (2) **brokerage services:** the commission rates for these services have become generally transparent and standardized across the market. The commission rates are determined based on arm's length negotiation with reference to the prevailing market rates for securities, which, for trading of A shares on the Shanghai Stock Exchange and B shares on the Shenzhen Stock Exchange, cannot exceed 0.3% of the amount of the relevant securities trade or lower than the relevant fees paid to the relevant securities exchange, or futures sales or trades of a similar type and the amount of the sale or trade.

With respect to futures brokerage services, Everbright Futures charges all customers a fee for futures trading of no less than the standard fee charged by the relevant futures exchanges. In the event that adjustments are made by the relevant futures exchanges to the standard fee, Everbright Futures will also make corresponding adjustments to the standard fee charged to all customers.

- (3) **proxy sale of financial products services:** the pricing for proxy sale of financial products services shall be determined in accordance with the Company's business guiding principle for proxy sale of financial products and based on the prevailing practice of proxy sale business conducted by financial institutions including securities firms and commercial banks with reference to the type of financial products sold by proxy and the frequency the investor engaging in transactions with the Company after arm's length negotiation of the parties. There is no standardized quotation for proxy sale of financial products on the market. The Company primarily

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determines the general pricing range based on the studies of industry's general practice, feedbacks and opinions on pricing from issuers of financial products.

- (4) **entrusted asset management services:** entrusted asset management services mainly include targeted and specialized asset management services. Asset management service fees shall be determined based on factors including market rates, market practices, the scale of assets under management of the asset management schemes and the management terms.

For targeted asset management services, the Company charges management fees as a certain percentage of the scale of assets under management based on the standard fee rate for each separate asset management scheme. For specialized asset management services, the management fees charged by the Company are determined on arm's length negotiation based on factors including the current market rates, the scale of the entrusted assets and the complexity of provision of tailored services.

The Company may obtain the prevailing market rates through publicly available information in the industry (such as the information published on the official website of peers or the information published by third party information platforms such as Wind Info), feedback from sale channels and communications with peers.

- (5) **leasing of trading seats:** the commission rate charged on the leasing of trading seats is generally transparent across the market. The Company charges a percentage of the trading volume in respect of each trade conducted through its trading seats as its commission where such percentage shall be determined based on the then prevailing market price and industry practice.
- (6) **advisory and consulting services:** fees for such services are determined based on arm's length negotiation with reference to the prevailing market rates for transactions of similar type and size and taking into account the nature of the transaction, the complexity and the size of the transaction, the frequency of the relevant customer engaging in transactions with the Company and the prevailing market conditions. The Company provides the quotation to the customers based on the foregoing factors. After the customer has accepted the quotation of the Company, both parties will enter into the service agreement and provide services in accordance with the agreement.

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- (7) **PPP financial services:** the fee for PPP financial services provided by the Group to the Everbright Group and its associates is primarily determined with reference to the market rates of PPP projects of similar type and size after arm's length negotiation and taking into account the financing size agreed upon between the party seeking financing and the social capital party to the PPP project.
- (8) **financial leasing services:** the rates of such services have become generally transparent and standardized across the market. The rental interest and rates charged to Everbright Group and its associates by Everbright Fortune Leasing are determined based on the then funding and management costs of Everbright Fortune Leasing in addition to reasonable profits on arm's length negotiation after taking into account the risks associated with the financial leasing projects and market competition.
- (9) **factoring services:** the rates of such services have become generally transparent and standardized across the market. The rates charged to the Everbright Group and its associates are determined based on the then funding and management costs of the Company in addition to reasonable profits on arm's length negotiation after taking into account the risks associated with the factoring projects and market competition.
- (10) **Custody and outsourcing services:** the rates of such services have become generally transparent and standardized. The Company performs the functions of asset custody, investment liquidation, valuation accounting, investment supervision, information disclosure and reporting in accordance with the requirements of laws and regulations and the provisions of the fund contract. Relevant rates shall be determined based on arm's length negotiation with reference to the factors including market competition.
- (11) **Insurance brokerage and consultancy services:** such services include but are not limited to brokerage businesses such as medical insurance, life insurance, accident and injury insurance, employee welfare insurance, property insurance and general liability insurance, as well as consulting services for various insurance products. Relevant rates shall be determined based on arm's length negotiation with reference to the factors including market competition.

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B.2.2 Pricing basis of the Securities and Financial Services to be provided by the Everbright Group and its associates to the Group

The Everbright Group and its associates primarily charge services fees for the Securities and Financial Services to be provided to the Group. The respective pricing mechanisms for the relevant Securities and Financial Services are set forth below:

- (1) **deposit services:** the deposit interest rate shall not be less than the similar deposit interest rate of the commercial bank approved by the PBOC for the same period, and shall be determined according to the market rates of deposits in the financial industry, and shall not be less than the interest rate offered by Everbright Bank to other customers for similar deposits.
- (2) **proxy sale of financial products services:** the pricing for proxy sale of financial products services shall be determined based on the prevailing practice of proxy sale business carried on by financial institutions including securities firms and commercial banks with reference to the type of the financial products sold by proxy after arm's length negotiation of the parties. The pricing for proxy sale of different types of financial products varies.
- (3) **deposit management and custody services:** the management and custody fees are determined on arm's length negotiation with reference to current market rates and taking into account the size of the products and the nature of the products.
- (4) **loan services:** the interests on the financing shall be determined by reference to the relevant interest rates stipulated by the PBOC for the same period, and will take into account the factors such as the purpose and terms of the financing.
- (5) **insurance services:** the Company purchased insurance services primarily through tender organized by the Company's Bulk Procurement Management Centre (大額採購管理中心) where a number of insurers capable of providing the insurance services required by the Group are invited to submit their bids. The reviewing team comprising personnel from the Bulk Procurement Management Centre, Finance and Treasury Department, and Legal and Compliance Department of the Company will conduct a comprehensive assessment based on the type of services provided by the insurers submitting the biddings, their quotations and

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relevant experience by adopting the scoring method to select insurance service provider. As such, the pricing of the insurance services is primarily determined by competitive bidding.

- (6) **financial leasing services:** the rates of such services have become generally transparent and standardized across the market. The rental interest and rates charged to the Group by the Everbright Group and its associates are mainly determined on arm's length negotiation with reference to the general market fee rates and in conjunction with the potential risks of specific financial leasing projects.
- (7) **factoring services:** the rates of such services have become generally transparent and standardized across the market. The rates of factoring fees charged to the Group by the Everbright Group and its associates are mainly determined on arm's length negotiation with reference to the general market fee rates and in conjunction with the potential risks of special factoring projects.

B.3 Pricing Approval and Supervision of the Securities and Financial Services

The Group has adopted a series of internal pricing policies and approval procedures to regulate the mutual provision of the Securities and Financial Services between the Group and the Everbright Group and its associates. The major internal policies include the following:

- (1) The terms (including pricing terms) in respect of the Securities and Financial Services shall be comparable to those offered by/to an independent third party for comparable services, and shall be subject to the same internal selection, approval and supervision procedures and pricing policies applicable to an independent third party.
- (2) The Group has subscribed for information services provided by information service providers, such as Wind Info, and has access to information channels and websites of official and voluntary industry regulatory authorities. The Company will consider the various updated market information available, including published information on completed transaction amounts and rates, and terms offered by the transaction parties prior to entering into the Securities and Financial Services.
- (3) In respect of the Securities and Financial Services to be provided by the Everbright Group and its associates to the Group, the Company or its subsidiaries will collect information of certain suppliers who could provide similar Securities and Financial Services (including the information about fee and price level) and compare the quality and price

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level of the services provided by the independent third party with that offered by the Everbright Group and the associates of Everbright Group. The Group will generally refer to the pricing provided by two or more independent third parties for similar services to determine whether the prices and terms offered by the Everbright Group and its associates are fair and reasonable and no less favourable than those offered by the independent third parties to the Group.

- (4) In respect of the Securities and Financial Services to be provided by the Group to the Everbright Group and its associates, the Company or its subsidiaries will refer to the pricing provided to two or more independent third parties for similar services to determine whether the prices and terms offered by the Company or its subsidiaries to the Everbright Group and its associates are fair and reasonable and no more favourable than those offered by the Company or its subsidiaries to the independent third parties.
- (5) The Related Party/Connected Transactions Working Group collects information from the relevant business departments and the Company's subsidiaries and reviews the actual transaction amounts of different types of the Securities and Financial Services on a regular or ad hoc basis to ensure that the annual caps would not be exceeded and remind the business departments and the Company's subsidiaries to supervise and control such connected transactions.
- (6) The continuing connected transactions are subject to the annual review by all the independent non-executive Directors, the internal audit department of the Company and the auditors of the Company. The results of the review conducted by the independent non-executive Directors and auditors of the Company are disclosed in the annual report of the Company.
- (7) Documents and records with respect to related party/connected transactions are required to be maintained and kept properly.

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B.4 Historical Transaction Amounts of the Securities and Financial Services

The historical transaction amounts of the Securities and Financial Services under the 2018 Everbright Group Financial Products and Services Framework Agreement between the Group and the Everbright Group and its associates for each of the two financial years ended December 31, 2020 and for the six months ended June 30, 2021 are as follows:

Securities and Financial Services	Approximate historical transaction amounts		
	for the year ended December 31, 2019 2020 (RMB million)		for the six months ended June 30, 2021
Revenue generated by the Group from provision of the Securities and Financial Services to the Everbright Group and its associates	250.6	329.9	102.1
Fees paid by the Group to the Everbright Group and its associates for their provision of the Securities and Financial Services	223.4	153.4	65.3

B.5 Proposed Annual Caps of the Securities and Financial Services for the Three Financial Years Ending December 31, 2024

B.5.1 Proposed annual caps for the three financial years ending December 31, 2024

The Directors propose the annual caps for the continuing connected transactions in respect of the mutual provision of the Securities and Financial Services between the Group and the Everbright Group and its associates for each of 2022, 2023 and 2024 as follows:

Securities and Financial Services	Proposed annual caps for the three years ending December 31, 2022 2023 2024 (RMB million)		
Revenue to be generated by the Group from provision of the Securities and Financial Services to the Everbright Group and its associates ⁽¹⁾	1,145	1,374	1,718

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Securities and Financial Services	Proposed annual caps for the three years ending December 31,		
	2022	2023	2024
	<i>(RMB million)</i>		
Fees to be paid by the Group to the Everbright Group and its associates for their provision of the Securities and Financial Services	849	1,019	1,274

Note:

- (1) As disclosed in an announcement of the Company dated August 26, 2021 and paragraph A.6 above, it is very difficult for the Company to set the Maximum Daily Deposit Balance Limit due to various reasons. As such, the Company has applied to the Hong Kong Stock Exchange, and the Hong Kong Stock Exchange has granted a waiver to the Company in respect of the Company's obligation to set the Maximum Daily Deposit Balance Limit under the 2021 Everbright Group Financial Products and Services Framework Agreement. Such waiver will be valid until December 31, 2024.

However, by making reference to the Group's average annual deposits balance placed with Everbright Bank for the two financial years ended December 31, 2020 and the semi-annual deposits balance placed with Everbright Bank for the six months ended June 30, 2021 and other relevant factors further elaborated in paragraph B.5.2 below, the Company is able to roughly estimate the Group's average annual deposits balance placed with Everbright Bank for the next three financial years ending December 31, 2024 and thus the approximate interest income to be paid by Everbright Bank for the next three financial years in respect of the deposits placed by the Group with Everbright Bank. Such estimated interest income has been included in the annual caps for the revenue to be generated by the Group from the Everbright Group and its associates.

B.5.2 Basis of determination of the proposed annual caps for the revenue to be generated by the Group from provision of the Securities and Financial Services to the Everbright Group and its associates

When estimating the annual caps for the revenue to be generated by the Group from provision of the Securities and Financial Services to the Everbright Group and its associates, the Directors have considered, among other things, the following key factors:

- (1) The Company has estimated the annual caps based on the historical transaction amount for the two financial years ended December 31, 2020 and for the six months ended June 30, 2021.

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- (2) As a financial holding group with industry-finance integration, the Everbright Group has many listed companies in Hong Kong and Mainland China. Meanwhile, it has cultivated and is cultivating various enterprises with industry influence in health, environmental protection, technology and other industries and is expected to enter the domestic capital market in the following three years. Under the general background of encouraging direct financing by the central government and the reform of the registration-based system in the domestic securities market, the re-financing, IPOs and other financing demands and the demand for financial advisory on M&As and reorganizations and other businesses of relevant listed companies and industrial enterprises under the Everbright Group will increase relatively significantly. As a comprehensive securities company controlled by the Everbright Group, the Company enjoys strong competitiveness in the above business sectors. It is expected that the income from the Group's investment banking business will record higher growth. Specifically, an income of RMB47.22 million was realized from the investment banking business in the first half of 2021, with an annualized growth rate of 63%, which exceeded the income from the investment banking business in the whole year of 2019. Based on the demand of subsidiaries of the Group for capital operation services and the number of projects currently under progress and subject to the progress of the projects and the difficulty in estimating the subsequent market regulatory environment, it is difficult to judge the actual years for the realization of such income. With further reference to the expected progress of projects and the charges on large-scale projects in the market, the Group estimates the revenue generated from the investment banking business from the Everbright Group and its associates will account for approximately 17%, 13% and 11% of the proposed annual caps of the revenues to be generated from the Securities and Financial Services Transactions, respectively in 2022, 2023 and 2024.
- (3) The Group leases trading seats to Everbright Bank, Sun Life Everbright Life Insurance Co., Ltd.(光大永明人壽保險有限公司)("Sun Life Everbright"), Everbright Limited, China Everbright International Limited and other associates of the Everbright Group. During the period from 2019 to 2021, the income of the Group from the commissions on leasing trading seats to the Everbright Group and its associates maintained an annual average increase of 40%. Considering the advancing of the synergistic strategy of the Group and that the Company will continue to maintain a high proportion, it is expected that the transaction scale on commission will continue to increase substantially in the following three financial years.

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- (4) The counterparty of the custodian qualification of investment fund between the Company and members of the Everbright Group is mainly Everbright Xinglong Trust Co., Ltd. (“**Everbright Trust**”). Specifically, it provides outsourcing services on electronic contracts and units registration to Everbright Trust and charges outsourcing fees. The actual revenue in recent two years was approximately RMB6 million each year.

In May 2020, the CBIRC formulated the Interim Measures for the Administration of Fund Trusts of Trust Companies (Draft for Solicitation of Comments) to implement new regulations on asset management, specifying that the fund trust business shall adhere to the positioning at private businesses and introducing restrictions on the proportion of non-standard investments. As a result, trust companies face the business transformation on net-value transformation and will embark on the development of the standard product trust business.

For the transformation of new standard product trusts, the Company plans to provide Everbright Trust with outsourcing services on valuation and calculation in addition to the outsourcing service on units registration and the charging standard will be calculated based on the size of services multiplies the corresponding annualized service rate. Based on the transformation progress of net-value standard product trusts of Everbright Trust, it is expected that the total income from the provision of units registration and valuation and calculation outsourcing to the trust plans under Everbright Trust by the Group will increase significantly in 2022 and will slow down correspondingly based on the size of standard product trusts for transformation from 2023 to 2024.

- (5) In July 2021, the Company received the Reply on Matters Regarding Conducting Pilot Fund Investment Advisory Business by Everbright Securities Company Limited issued by the CSRC and was granted the qualification for pilot on public funds investment advisory business. Considering the extensive professional knowledge of the Group on the provision of research, investment advice and investment management as well as the increasing cooperation between the Group and the Everbright Group and its associates, it is expected that the investment advisory and consultancy services to be provided by the Group to the Everbright Group and its associates will increase substantially.

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- (6) Professional institutional investors represented by mutual funds have recorded outstanding performance since 2020, driving the rapid growth in business revenue from the proxy sales of financial products by financial institutions. As at the end of 2020, the Group conducted proxy sales of Everbright Group and its associates more frequently with an increasing size. It is expected to maintain continuous growth in the following three financial years. Based on the business development plan on proxy sales of funds, the Company will conduct in-depth cooperation with Pramerica Fund and Dacheng Fund through Everbright Futures and the size of proxy sales of funds will expand year by year.
- (7) Benefiting from the reform of the capital market and the continuous changes in the regulatory environment, the issuance size of mutual funds hit a new high. Meanwhile, the business of wealth management subsidiaries of banks was rapidly standardized and the competition in the asset management industry is more intense. Driven by the recovery of the capital market and the acceleration in the issuance of equity-type products of mutual funds, the size of mutual fund management showed a trend of growth. According to the statistics from Wind Info, as of the end of 2020, the AUM of mutual funds market amounted to RMB20.02 trillion, excluding ETF feeder funds, representing a year-on-year increase of 36.5%.

In 2020, the scale of entrusted asset management from Everbright Group and its associates was slightly lower than that in 2019 in response to the requirements of the new rules and regulations on asset management. However, such scale showed a strong rebound trend in 2021. As of the end of August 2021, the amount entrusted by connected parties in the Group has exceeded 1.5 times compared to the amount for the whole year of 2020, reaching RMB90 billion. With the deepening of business cooperation with connected parties, the subsequent scale of entrustment from Everbright Group and its associates is expected to remain rapid growth, reaching RMB150 billion to RMB200 billion.

With the completion of the rectification of the new regulations on asset management, the Company will continue to focus on active management, further enrich the product type and layout. In the next three financial years, the entrusted management scale from Everbright Group and its associates is expected to show strong growth and management fees incurred from Everbright Group and its associates to the Group will increase significantly in 2022, and remain relatively stable in 2023 and 2024. Such transaction amounts are expected to account for approximately 18%, 13% and 11% of the proposed annual caps of the revenues to be generated from the Securities and Financial Services Transactions in the following three financial years, respectively.

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- (8) In the ordinary course of the business of the Company, the Company deposits its proprietary funds and customers' funds with Everbright Bank or invests in wealth management products. It is expected that the interest on its proprietary funds and customers' funds deposited with Everbright Bank and the investment in wealth management products will continue to contribute significant revenue. The Company has included the estimated interest to be paid by Everbright Bank on its proprietary funds and customers' funds deposited and wealth management revenue into the proposed annual caps. In addition to reference to the actual interest paid by Everbright Bank on the Company's proprietary funds and customers' funds for the two financial years ended December 31, 2020 and the six months ended June 30, 2021, the Company has considered the following factors in estimating the annual interest revenue on deposits to be paid by Everbright Bank and the wealth management revenue:
- (i) The Company estimates the size and upper limit of revenue of the corresponding wealth management products based on the investment cycle, amount and interest rate of wealth management products of Everbright Bank currently available. The flow of investments in the corresponding wealth management products is estimated at approximately RMB4.8 billion in 2022. The Company expects to continue to expand the size of investments in wealth management products issued by Everbright Bank in the following three years to obtain stable investment returns and the investment size will maintain an increase of about 20% each year. Based on the estimation on flows, the corresponding daily average size of wealth management products from 2022 to 2024 will be RMB2.2 billion, RMB2.64 billion and RMB3.17 billion, respectively. Calculated at the current return rate of approximately 3.3% on wealth management, the revenue from wealth management products will be RMB72.60 million, RMB87.12 million and RMB104.54 million from 2022 to 2024, respectively.

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- (ii) Everbright Futures obtained an interest income of RMB48,208,700 from Everbright Bank in the year of 2020, representing an increase of 805% from 2019. Currently, the customer equity in the futures industry shows a trend of significant growth. According to the statistics of China Futures Association, as at the end of June 2021, the customer equity in the futures industry increased 59.53% from the same period of the previous year. Meanwhile, the Company's customer equity is also increasingly hiking. As at the end of July 2021, the Company's customer equity increased 110% from the same period of the previous year, which is far higher than the growth in the market. It is expected to result in significant increase in the corresponding proprietary funds and customers' funds.

In aggregate, the interest income generated from deposits in Everbright Bank and investments in wealth management products is expected to reach approximately 16%, 18% and 19% of the proposed annual caps of the revenues to be generated from the Securities and Financial Services Transactions, respectively in 2022, 2023 and 2024.

- (9) When the Group, through financial innovation business, provides companies comprising the Everbright Group with OTC options, income swaps and other equity products, such counterparties will pay fees on OTC options and fixed revenue on swaps to the Company. Such option fees are mainly priced based on the size of the nominal principal, the structure and targets of options. The Company expects that the revenue from relevant financial services will grow at a rate of 30% to 40% in the following three years, amounting to approximately 42%, 48% and 51% of the proposed annual caps of the revenues to be generated from the Securities and Financial Services Transactions, respectively in 2022, 2023 and 2024.

In particular, the sum of estimated revenue from (2) investment banking services; (7) asset management services; (8) interest income; and (9) financial innovation business as listed above, represents over 90% of proposed annual caps for the revenue to be generated from provision of Securities and Financial Services to Everbright Group and its associates for the year ending December 31, 2022, and is expected to remain at same level in 2023 and 2024.

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B.5.3 Basis of determination of the proposed annual caps for the fees to be paid by the Group for provision of the Securities and Financial Services by the Everbright Group and its associates

When estimating the annual caps for the fees to be paid by the Group to the Everbright Group and its associates for their provision of the Securities and Financial Services, the Directors have considered, among other things, the following key factors:

- (1) The Company has based the estimates on the historical transaction amount for the two financial years ended December 31, 2020 and for the six months ended June 30, 2021 when estimating the annual caps.
- (2) With the progress of the rectification work under the new regulations on asset management, the Group's holding amount of proxy sales of financial products in Everbright Group and its associates presents a "V" shape trend. Although the scale of proxy sales declined in 2020 compared with 2019 due to positive response to regulatory requirements, it has shown a clear rebound trend in 2021. By the end of August 2021, the total holding amount of proxy sales of financial products at its connected parties had reached approximately 85% of the total amount in 2020, amounting to RMB9 billion. It is expected that the scale will continue to climb in the following years after rapidly recovering to the level of 2019.

Specifically, the Group mainly conducts the proxy sales of collective wealth management plans on asset management, mutual funds and other financial products through Everbright Bank. With the increasing size expansion of Everbright Bank, its proxy sales capability is enhanced correspondingly. As at December 31, 2020, the size of deposits at Everbright Bank increased by 15% from the end of 2019. As a result, the Group expects the size of customer capitals convertible into investment in wealth management products under the proxy sales of Everbright Bank will expand. With the implementation of medium and long-term strategic planning and the synergistic sub-strategy by the Everbright Group, the enthusiasm of Everbright Bank in proxy sales of financial products issued by the Group is expected to boost.

Given that the transition period for the rectification of the new regulations on asset management will end at the end of 2021, the rectification of the Group's products will also be close to completion. With the increase in the number of new products launched by the Group and the continuous marketing of products

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after rectification, especially public products, the amount of proxy sales of financial products by Everbright Group and its associates is expected to continue to increase. At the same time, with the completion of the rectification of the existing products and the change of product structure, the proxy sales fee is expected to remain at a relatively high level of around 0.4%. It is therefore expected that the Group's proxy sales fees paid to Everbright Group and its associates will continue to increase, and estimated transaction amounts will account for approximately 12%, 8% and 7% of the proposed annual caps of fees to be paid to the Everbright Group and its associates for their provision of Securities and Financial Services.

- (3) Everbright Photon Investment Management Co., Ltd. (光大光子投资管理有限公司) (“**Everbright Photon**”), a subsidiary of Everbright Futures, has developed the OTC derivative business in recent years and the accumulated settlement of the nominal principal with wealth management subsidiaries of Everbright Securities and Everbright Bank increased. Currently, Everbright Photon is applying for the qualification on OTC swap businesses, which is expected to drive up the growth in the scale of snowball options and swap businesses. Considering the increasing maturity of relevant businesses and further development of the OTC derivatives market, the receipt of borrowings by Everbright Photon from the Company and the possibility of capital increase in Everbright Photon, its business size will increase significantly and the nominal principal of relevant businesses is expected to double in the following three financial years.
- (4) Estimated fees to be paid by the Group to Everbright Group and its associates in respect of financial innovation business mainly includes following two aspects: (i) while conducting transactions on income receipt products with companies comprising the Everbright Group represented by Everbright Trust and Everbright Bank, the Company will pay proxy sales fees on financial products to the counterparties, which is charged at a market rate of 0.2% and the annual size is linked with the progress of cooperation projects on income receipt products each year; (ii) in respect of call options issued by the Group to Everbright Group and its associates, if the value of underlying assets of the call option increases, the Group will be required to pay the difference amount between value of underlying assets and exercise price. Such transactions' amount in aggregate is expected to increase significantly in the following three financial years, reaching approximately 65%, 69% and 73% of the proposed annual caps of fees to be paid to the Everbright Group and its associates for their provision of Securities and Financial Services.

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- (5) The loan interest paid by the Group to the Everbright Group and its associates is expected to increase in the following three financial years, amounting to approximately 12%, 12% and 10% of the proposed annual caps of fees to be paid to the Everbright Group and its associates for their provision of Securities and Financial Services. Such increase in amount of loan expenses was mainly due to the growth of loan requirements resulted from the growth of the Group's business and increase of interest rate.
- (6) The number of employees of the Company increased from 9,004 to 9,240 from 2018 to 2020. It is expected that the number of employees will further increase with the business expansion of the Group in the following three financial years, which will result in the corresponding increase in premiums to be paid by the Group. In addition, the scope of cooperation on insurance between the Group and Sun Life Everbright is expected to expand, resulting in expenses on group medical insurance, women's health insurance, the pandemic prevention insurance and other insurance.

In addition, the Group pays management charges on the enterprise annuity account to Everbright Bank. 2021 is the first year for the new enterprise annuity and the expense is expected to increase by 20%. It is expected to increase by no more than 15% from 2022 to 2024.

Based on the above factors, the expenses on premiums of the Group are expected to maintain an annual average growth of approximately 20% from 2022 to 2024.

In particular, the sum of estimated expenses from (2) asset management services; (4) financial innovation business; and (5) loan expenses as listed above, represents approximately 90% of proposed annual caps of fees to be paid by the Group to the Everbright Group and its associates for their provision of the Securities and Financial Services for the year ending December 31, 2022, and is expected to remain at same level in 2023 and 2024.

The Company has taken into account the inflation factor when proposing the annual caps. The National Bureau of Statistics of China uses the annual growth rate of the consumer price index (CPI) to indirectly reflect the extent of inflation instead of directly calculating the inflation rate. Based on the growth rate of the CPI of China of 2018, 2019 and 2020 published by the National Bureau of Statistics of China and industry research reports, the Company has taken such estimation into account as an indicator of inflation level when estimating the annual caps for the following three financial years. In addition, in determining the proposed annual caps for the following three financial years, the Company also assumes that for the duration of the projected period, there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which may materially affect the Group's businesses and those of the Everbright Group and its associates during the term of the 2021 Everbright Group Financial Products and Services Framework Agreement.

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C Reasons for and Benefit of Entering into the 2021 Everbright Group Financial Products and Services Framework Agreement

The reasons for and benefits of entering into the 2021 Everbright Group Financial Products and Services Framework Agreement between the Company and the Everbright Group are as follows:

- (1) The Securities and Financial Products Transactions and the Securities and Financial Services Transactions under the 2021 Everbright Group Financial Products and Services Framework Agreement are and will be conducted in the ordinary and usual course of business of the Group. Such transactions will continue to be agreed on arm's length basis with terms that are fair and reasonable to the Company. Due to the historical and future long-term cooperation relationship between the Group and the Everbright Group and its associates, the Directors believe that it would be beneficial to the Group to renew the Everbright Group Financial Products and Services Framework Agreement with the Everbright Group as the transactions thereunder have facilitated and will continue to facilitate the overall operations and growth of the Group's business.
- (2) These transactions will provide synergies by integrating advantageous resources between the Group and the Everbright Group and its associates, thereby reducing the aggregate operational costs and general expenses which will improve the profitability and to strengthen the leading position of the Company in the securities industry.
- (3) Further, such continuing connected transactions will enable the Everbright Group and its associates to develop a deeper understanding in the operation of the Group, which in turn will render them to provide more expedient and efficient services and products to the Group when compared to those services and products provided by independent third parties.

The Directors are of the view that the Securities and Financial Products Transactions and Securities and Financial Services Transactions under the 2021 Everbright Group Financial Products and Services Framework Agreement will be conducted on normal commercial terms, and the terms and conditions therein as well as the proposed annual caps for the continuing connected transactions contemplated thereunder are fair and reasonable, and are in the interests of the Company and its Shareholders as a whole. The view of the independent non-executive Directors of the Company on the 2021 Everbright Group Financial Products and Services Framework Agreement and the proposed annual caps is set out in the letter from the Independent Board Committee contained in this circular after considering the advice from the Independent Financial Adviser.

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D Implications of the Hong Kong Listing Rules

D.1 Connected persons involved

Connected person	Relationship with the Group
Everbright Group	: As of the Latest Practicable Date, Everbright Group is directly interested in 1,159,456,183 A Shares of the Company, representing 25.15% of the total issued share capital of the Company; and is indirectly interested in 960,467,000 A Shares of the Company, representing 20.83% of the total issued share capital of the Company. Accordingly, the Everbright Group is the controlling shareholder of the Company, and the Everbright Group and its associates are connected persons of the Company
Everbright Bank	Everbright Bank is a consolidated subsidiary of Everbright Group and accordingly, is an associate of the Everbright Group, and hence a connected person of the Company

Accordingly, under Chapter 14A of the Hong Kong Listing Rules, the Everbright Group and its associates are connected persons of the Company, and the transactions contemplated under the aforementioned framework agreements between the Group and the Everbright Group and its associates shall constitute continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.

D.2 Implications of the 2021 Everbright Group Financial Products and Services Framework Agreement under the Hong Kong Listing Rules

As the highest of the applicable percentage ratio in respect of (1) the proposed annual caps for the continuing Securities and Financial Products Transactions; and (2) the proposed annual caps for the continuing Securities and Financial Services Transactions under the 2021 Everbright Group Financial Products and Services Framework Agreement for the three years ending December 31, 2024 exceeds 5% calculated according to the Hong Kong Listing Rules, such continuing connected transactions are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The Company has again applied to the Hong Kong Stock Exchange for a waiver from strict compliance with setting the Maximum Daily Deposit Balance Limit as required under Rule 14A.53 of the Hong Kong Listing Rules. The Company

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was granted a waiver from the Hong Kong Stock Exchange on August 31, 2021 which waives the Company's obligation to set the Maximum Daily Deposit Balance Limit. For reasons for the application for such waiver by the Company, please refer to paragraph A.6 above in this circular and the announcement of the Company dated September 2, 2021.

On August 26, 2021, a meeting of the Board (the “**Board Meeting**”) was held by the Company, at which the resolutions in relation to the 2021 Everbright Group Financial Products and Services Framework Agreement, and the annual caps for the continuing connected transactions contemplated thereunder were considered and approved. Among which, Mr. Yan Jun, Mr. Liu Qiuming (all being executive Directors of the Company), Mr. Song Bingfang, Mr. Fu Jianping, Mr. Yin Lianchen and Mr. Chan Ming Kin (all being non-executive Directors) are deemed to have a material interest in all of the above continuing connected transactions to be contemplated between the Group and the Everbright Group and have abstained from voting with respect to considering and approving these resolutions at the Board Meeting. Save as disclosed above, no other Directors have a material interest in such transactions and therefore did not abstain from voting with respect to the aforesaid resolutions at the Board Meeting.

E General Information

E.1 Information about the Everbright Group

Everbright Group is a state-owned enterprise incorporated under the PRC laws on November 12, 1990. It was promoted and established by the Ministry of Finance and Central Huijin Investment Ltd. (中央匯金投資有限責任公司). Currently, its businesses cover the finance and industry in Hong Kong and Chinese Mainland, and it has established agencies and business presence at home and abroad. It has a complete set of financial services licenses and featured businesses related to environmental protection, tourism, healthcare and high-tech industry. Everbright Group is a state-owned largescale comprehensive finance holding group characterized by its overall finance, the integration of industry and finance and the combined advantages of Chinese Mainland and Hong Kong. It has been included in Fortune's Global 500 for seven consecutive years from 2015 to 2021.

E.2 Information about the Group

The Group is a leading full-service securities group in China with strong innovation capabilities and an integrated onshore and offshore business platform. As a core financial services platform of the Everbright Group, the Group benefits from synergies within the group and from the “Everbright” brand recognition. The Group offers a full range of financial products and services to a large and diversified client

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base that includes enterprises, financial institutions, governments and individuals. The Group's principal business lines comprise brokerage and wealth management, credit business, institutional securities services, investment management and overseas business.

II. THE EGM

The EGM will be held at 2:30 p.m. on Tuesday, November 16, 2021 at Jing'an International Plaza, No. 1508, Xinzha Road, Jing'an District, Shanghai, the PRC, to consider and, if thought fit, approve the aforesaid resolutions. The notice of the EGM is set out on pages 75 to 76 of this circular.

In accordance with the Hong Kong Listing Rules, the Everbright Group and its associates will abstain from voting on the resolution of entering into ordinary related party (connected) transactions framework agreement with China Everbright Group Corporation Limited to be proposed at the EGM and cannot be entrusted by other shareholders to vote. As at the Latest Practicable Date, the Everbright Group and its associates, directly and indirectly, hold 2,119,923,183 A Shares of the Company (representing approximately 45.98% of the total issued share capital of the Company) with voting right.

To the best of the knowledge of the Directors and having made all reasonable enquiries, (1) no Shareholders have any material interests in the resolution of the re-appointment of the external auditors for the year 2021, and therefore no other Shareholders are required to abstain from voting on the resolution to be proposed at the EGM; and (2) other than the Everbright Group and its associates, no other Shareholders have any material interests in the continuing connected transactions contemplated under the 2021 Everbright Group Financial Products and Services Framework Agreement proposed to be renewed and as such, is required to abstain from voting on the resolution of entering into ordinary related party (connected) transactions framework agreement with China Everbright Group Corporation Limited to be proposed at the EGM.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM, you are advised to read the notice of the EGM and to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible. For H Shareholders, the form of proxy or any other authorization documents should be returned to the Company's H share registrar, Computershare Hong Kong Investor Services Limited, whereas A Shareholders should return the form of proxy to the Company's Board office, and in any event in person or by post no later than 24 hours before the time designated for convening the EGM (i.e. before 2:30 p.m. on Monday, November 15, 2021) or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending in person and voting at the EGM or at any adjourned meeting.

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If you intend to attend the EGM in person or by proxy, you are required to return the completed and signed reply slip to the Company's H share registrar, Computershare Hong Kong Investor Services Limited (for H Shareholders), or to the Company's Board office (for A Shareholders), on or before Wednesday, October 27, 2021 in person, by mail or by fax.

The address of the Company's Board office is No. 1508 Xinzha Road, Jing'an District, Shanghai, the PRC (Postcode: 200040, Telephone: (86) 21 2216 9914, Fax: (86) 21 2216 9964). Computershare Hong Kong Investor Services Limited, the Company's H share registrar, is located at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (Telephone: (852) 2862 8555).

III. VOTING BY POLL

- (1) Pursuant to Rule 13.39(4) of the Hong Kong Listing Rules, any vote by Shareholders at a general meeting must be taken by poll. Therefore, the resolutions to be proposed at the EGM will be voted by poll. Results of the poll voting will be posted on the website of the Company at www.ebscn.com and on the HKExnews website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk upon the conclusion of the EGM.
- (2) The Everbright Group and its associates will abstain from voting on the resolution of entering into ordinary related party (connected) transactions framework agreement with China Everbright Group Corporation Limited, and shall not accept appointment from other Shareholders as proxies in voting on the aforesaid resolution.
- (3) To the best knowledge of the Company, having made all reasonable enquiries, as at the Latest Practicable Date:
 - (a) there was no voting trust or other agreement or arrangement or understanding entered into by or binding upon the Everbright Group or its associates in respect of their shares in the Company;
 - (b) none of the group companies of the Everbright Group were subject to any obligation or entitlement, whereby they had or might have temporarily or permanently passed control over the exercise of the voting right in respect of their shares in the Company to a third party, whether generally or on a case-by-case basis; and
 - (c) it was not expected that there would be any discrepancy between the beneficial shareholding interests of the Everbright Group and its associates holding Shares and the number of shares in the Company in respect of which they would control or would be entitled to exercise control over the voting right at the EGM.

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Save as mentioned above, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no other Shareholder has a material interest in any of the above resolutions and has to abstain from voting at the EGM on the above resolutions.

IV. RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out in this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the 2021 Everbright Group Financial Products and Services Framework Agreement, the continuing connected transactions contemplated thereunder and the annual caps for the three years ending December 31, 2024 relating thereto; and (ii) the letter from Gram Capital set out in this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the 2021 Everbright Group Financial Products and Services Framework Agreement, the continuing connected transactions contemplated thereunder and the annual caps for the three years ending December 31, 2024 relating thereto, as well as the principal factors and reasons taken into account by Gram Capital in reaching its advice.

The Directors (including the independent non-executive Directors) are of the view that the Securities and Financial Products Transactions and the Securities and Financial Services under the 2021 Everbright Group Financial Products and Services Framework Agreement proposed to be renewed will be conducted on normal commercial terms, and the terms and conditions therein as well as the proposed annual caps for the continuing connected transactions contemplated thereunder are fair and reasonable, and are in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend you to vote in favour of the resolution of entering into ordinary related party (connected) transactions framework agreement with China Everbright Group Corporation Limited to be proposed at the EGM.

The Directors (including the independent non-executive Directors) also consider that the other resolutions to be proposed at the EGM are in the interests of the Company and its Shareholders as a whole and therefore recommend you to vote in favour of the other resolutions above to be proposed at the EGM as well.

V. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

LETTER FROM THE BOARD

VI. ADDITIONAL INFORMATION

Your attention is drawn to (1) the letter from the Independent Board Committee set out on pages 51 and 52 of this circular, which contains its recommendation on the resolution of entering into ordinary related party (connected) transactions framework agreement with China Everbright Group Corporation Limited; and (2) the letter from Gram Capital to the Independent Board Committee and Independent Shareholders set out on pages 53 to 74 of this circular, which contains its recommendation on the resolution of entering into ordinary related party (connected) transactions framework agreement with China Everbright Group Corporation Limited.

Independent Shareholders are advised to carefully read the above letters prior to deciding as to how to vote on the resolution of entering into ordinary related party (connected) transactions framework agreement with China Everbright Group Corporation Limited.

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

Shanghai, the PRC
September 28, 2021



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)

September 28, 2021

To the Independent Shareholders

Dear Sir or Madam,

**Connected Transaction – 2021 Everbright Group Financial Products and
Services Framework Agreement**

We refer to the circular of the Company dated September 28, 2021 (the “**Circular**”) of which this letter forms a part. Unless the context requires otherwise, terms defined in the Circular shall have the same meanings when used herein.

We have been appointed by the Board as the Independent Board Committee to consider and advise the Independent Shareholders on whether, in our opinion, the terms of the 2021 Everbright Group Financial Products and Services Framework Agreement and the proposed annual caps for the continuing connected transactions contemplated thereunder (details of which are set out in the Letter from the Board) are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders on the fairness and reasonableness of the terms and conditions of the 2021 Everbright Group Financial Products and Services Framework Agreement and the proposed annual caps for the continuing connected transactions contemplated thereunder. Details of the advice from Gram Capital, together with the principal factors taken into consideration in arriving at such advice, are set out in its letter on pages 53 to 74 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 5 to 50 of the Circular and the additional information set out in the Appendix I.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms and conditions of the 2021 Everbright Group Financial Products and Services Framework Agreement and the proposed annual caps for the continuing connected transactions contemplated thereunder, the interests of the Independent Shareholders and the advice of Gram Capital, we are of the opinion that the Securities and Financial Products Transactions as well as the Securities and Financial Services under the 2021 Everbright Group Financial Products and Services Framework Agreement will be conducted in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms and conditions therein as well as the proposed annual caps for the continuing connected transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and its Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant ordinary resolutions to be proposed at the EGM so as to approve the 2021 Everbright Group Financial Products and Services Framework Agreement, the continuing connected transactions contemplated thereunder and the annual caps for the three years ending December 31, 2024 relating thereto.

Yours faithfully,

For and on behalf of the Independent Board Committee of

Everbright Securities Company Limited

Mr. Wang Yong, Mr. Po Wai Kwong, Mr. Ren Yongping,

Mr. Yin Junming and Mr. Liu Yunhong

Independent Non-executive Directors

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions for the purpose of inclusion in this circular.



Gram Capital Limited
嘉林資本有限公司

Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

28 September 2021

*To: The independent board committee and the independent shareholders
of Everbright Securities Company Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the 2021 Everbright Group Financial Products and Services Framework Agreement (the “**Transactions**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 28 September 2021 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

The 2018 Everbright Group Financial Products and Services Framework Agreement shall be valid until 31 December 2021. Taking into account the expiry of the 2018 Everbright Group Financial Products and Services Framework Agreement on 31 December 2021, the Company proposes to renew the Transactions on the basis of the 2018 Everbright Group Financial Products and Services Framework Agreement for a term of three years commencing from 1 January 2022 to 31 December 2024. As confirmed by the Directors, the 2021 Everbright Group Financial Products and Services Framework Agreement will be entered into between the Company and Everbright Group upon the Independent Shareholders’ approval on the EGM.

With reference to the Board Letter, the Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules and are subject to the reporting, announcement, annual review and Independent Shareholders’ approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The Independent Board Committee comprising Mr. Wang Yong, Mr. Po Wai Kwong, Mr. Ren Yongping, Mr. Yin Junming and Mr. Liu Yunhong (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Transactions are on normal commercial terms and are fair and reasonable; (ii)

LETTER FROM GRAM CAPITAL

whether the Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Transactions at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

We were not aware of any relationships or interests between Gram Capital and the Company during the past two years immediately preceding the Latest Practicable Date, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the 2021 Everbright Group Financial Products and Services Framework Agreement. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Hong Kong Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement therein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

LETTER FROM GRAM CAPITAL

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Everbright Group or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the entering into of the 2021 Everbright Group Financial Products and Services Framework Agreement. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Transactions, we have taken into consideration the following principal factors and reasons:

Information on the Group

With reference to the Board Letter, the Group is a leading full-service securities group in China with strong innovation capabilities and an integrated onshore and offshore business platform. As a core financial services platform of the Everbright Group, the Group benefits from synergies within the Group and from the “Everbright” brand recognition. The Group offers a full range of financial products and services to a large and diversified client base that includes enterprises, financial institutions, governments and individuals. The Group’s principal business lines comprise brokerage and wealth management, credit business, institutional securities services, investment management and overseas business.

Information on the Everbright Group

With reference to the Board Letter, Everbright Group is a state-owned enterprise incorporated under the PRC laws on 12 November 1990. It was promoted and established by the Ministry of Finance and Central Huijin Investment Ltd. (中央匯金投資有限責任公司). Currently, its businesses cover the finance and industry in Hong Kong and Mainland China, and it has established agencies and business presence at home and abroad. It has a complete set of financial services licenses and featured businesses related to environmental protection, tourism, healthcare and high-tech industry. Everbright Group is a state-owned large-scale

LETTER FROM GRAM CAPITAL

comprehensive finance holding group characterized by its overall finance, the integration of industry and finance and the combined advantages of Mainland China and Hong Kong. It has been included in Fortune's Global 500 for seven consecutive years from 2015 to 2021.

In 2015, the Everbright Group was ranked among Fortune Global 500 Firms for the first time, taking the 420th place. In 2021, the ranking was up by 226 places to the 194th place.

Reasons for and benefit of the Transactions

Details of the reasons for and benefits of the Transactions set out under the section headed "Reasons for and benefit of entering into the 2021 Everbright Group Financial Products and Services Framework Agreement" of the Board Letter.

As confirmed by the Directors, as the Transactions will be conducted in the ordinary and usual course of business of the Group and on a frequent and regular basis, it would be costly and impractical to make regular disclosure of each of the relevant transactions and obtain the prior approval from the Independent Shareholders as required by the Hong Kong Listing Rules, if necessary.

In light of the above, we concur with the Directors that the Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group.

PRINCIPAL TERMS OF THE 2021 EVERBRIGHT GROUP FINANCIAL PRODUCTS AND SERVICES FRAMEWORK AGREEMENT

Set out below are the key terms of the 2021 Everbright Group Financial Products and Services Framework Agreement, details of which are set out under the section headed "A. Securities and Financial Products Transactions" and "B. Securities and Financial Services" of the Board Letter.

Parties:	The Company and Everbright Group
Term:	For the three years from 1 January 2022 to 31 December 2024
Subject matters:	Details of the scopes of the Transactions were set out under the sections headed "A.1.1 Scope of the Securities and Financial Products Transactions" and "B.1 Scope of the Securities and Financial Services" of the Board Letter.

LETTER FROM GRAM CAPITAL

A. SECURITIES AND FINANCIAL PRODUCTS TRANSACTIONS

Pricing basis for Securities and Financial Products Transactions

The Securities and Financial Products Transactions are conducted through the PRC inter-bank bond market and the PRC exchange bond market, exchanges (including stock exchanges, futures exchanges, Shanghai Gold Exchange and China Foreign Exchange Trade System) and the open-ended fund market. Such transactions are and will continue to be carried on at the prevailing market prices in the ordinary and usual course of the Group's business and with high frequency. The pricing mechanisms of the Securities and Financial Products Transactions depend on the particular trading venue on which the relevant transaction is carried on. Details of the pricing mechanisms are set out under the section headed "A.2 Pricing Basis of the Securities and Financial Products Transactions" of the Board Letter.

Pricing approval and supervision

To ensure the terms of the Securities and Financial Products Transactions are on normal commercial terms or on terms no less favourable than terms applicable to independent third parties, the Group has adopted a series of internal approval and monitoring procedures. Details of the procedures are set out under the section headed "A.3 Pricing Approval and Supervision of the Securities and Financial Products Transactions" of the Board Letter. We obtained and reviewed the documents showing the Group's internal approval and monitoring procedures for Securities and Financial Products Transactions.

For our due diligence purpose, we discussed with the Directors regarding internal guidelines and policies for conduct of different types of securities and financial products as well as the internal procedures and systems for approval and supervision of such transactions and lending and borrowings.

We understood from the Directors that (i) the Group established its internal guidelines and policies for conducting transactions of different types of securities and financial products and internal procedures and systems for approval and supervision of such transactions; (ii) the Group would conduct pricing quotations/offering procedures from/to at least two independent third parties for contemporaneous transactions in similar quantities; and (iii) the Group established the Related Party/Connected Transactions Working Group in 2016, which comprises staff from various department and are mainly responsible for managing the Group's related party/connected transactions on a daily basis. As such, we consider that the internal control procedures are sufficient for the Company to monitor the Securities and Financial Products Transactions and the effective implementation of such procedures would help to ensure fair pricing of the transactions contemplated under the Securities and Financial Products Transactions according to the pricing policies.

LETTER FROM GRAM CAPITAL

In addition, we further discussed with senior management, the Related Party/Connected Transactions Working Group's members (who were from different departments), staffs of relevant subsidiaries/departments of the Company and understood that the aforesaid parties will comply with relevant implemented internal approval and monitoring procedure when conducting the Securities and Financial Products Transactions.

In light of the above and that the Securities and Financial Products Transactions (i) will be mainly conducted through the PRC inter-bank bond market and the PRC exchange bond market, stock exchanges (including stock exchanges, futures exchanges, Shanghai Gold Exchange and China Foreign Exchange Trade System) and the open-ended fund market; and (ii) are highly market-sensitive and the Group generally could not control the counterparties of transactions due to the majority of the securities and financial products transactions are conducted through intermediate system(s), we are of the view that the terms of the Securities and Financial Products Transactions are on normal commercial terms and are fair and reasonable.

The historical amounts and the proposed annual caps

Set out below are the (i) actual historical transaction amount, existing annual caps of the Securities and Financial Products Transactions for the three years ending 31 December 2021; and (ii) the proposed annual caps for the three years ending 31 December 2024 (the “**Financial Products Annual Cap(s)**”):

	For the year ended 31 December 2019	For the year ended 31 December 2020	For the year ending 31 December 2021
Securities and Financial Products Transactions – In (Note 1)			
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
Actual historical amount	117,603	165,053	60,236 (Note 3)
Existing annual caps	230,000	280,000	340,000
Utilisation rate	51.1%	58.9%	N/A
Securities and Financial Products Transactions – Out (Note 2)			
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
Actual historical amount	134,542	168,930	65,377 (Note 3)
Existing annual caps	230,000	280,000	340,000
Utilisation rate	58.5%	60.3%	N/A

LETTER FROM GRAM CAPITAL

	For the year ending 31 December 2022	For the year ending 31 December 2023	For the year ending 31 December 2024
Securities and Financial			
Products Transactions	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
In ⁽¹⁾	560,000	670,000	804,000
Out ⁽²⁾	560,000	670,000	804,000

Notes:

- (1) “In” means the total cash inflow to the Group arising from sale of fixed income products and equity related products, interest received from derivative products associated with fixed income products, and through borrowing/repurchase from financing transactions.
- (2) “Out” means the total cash outflow from the Group arising from purchase of fixed income products and equity related products, interest paid for derivative products associated with fixed income products, and through lending/reverse repurchase from financing transactions.
- (3) The figures were for the six months ended 30 June 2021.

Due to the nature of the securities and financial products transactions, the Company considers that it is more practicable to set annual caps for the total inflow and outflow of the securities and financial products transactions. In arriving at the above caps, the Directors have considered the historical figures for similar transactions and have taken into account various factors, details of which are set out under the section headed “A.5.1 Reasons for setting the total inflow and outflow of the Securities and Financial Products Transactions as the annual caps” of the Board Letter.

According to the above table, the utilisation rates of existing Financial Products Annual Caps for the two years ended 31 December 2020 for both cash inflow and cash outflow were not at high levels. As advised by the Directors, inflow and outflow regarding the sale and purchase of Securities and Financial Products are highly dependent on market sentiment and conditions and the Group generally could not control the counterparties of transactions due to the majority of the securities and financial products transactions are conducted through intermediate system(s).

Despite that the abovementioned utilisation rates were not at high levels, the Financial Products Annual Caps for the three years ending 31 December 2024 for both inflow and outflow represented significant increases to the historical amount of that for the year ended 31 December 2020. Details of the bases for the determination of Financial Products Annual Caps for the three years ending 31 December 2024 are set out under the section headed “A.5.3 Basis of determination of the proposed annual caps of Securities and Financial Products Transactions” of the Board Letter.

LETTER FROM GRAM CAPITAL

To assess the fairness and reasonableness of the Financial Products Annual Cap for the year ending 31 December 2022 (“**FY2022**”), in particular the substantial increase as compared to that for FY2020, we conducted following analyses:

Upon our request, the Company provided the calculation in respect of the Financial Products Annual Caps (inflow) for the three years ending 31 December 2024. According to the list, the sum of (i) estimated amounts of lending business; (ii) estimated amounts from securities products with fixed income features business; (iii) estimated amounts from asset management business; and (iv) estimated amounts from financial innovation business, for the year ending 31 December 2022 accounted for over 90% of the total estimated amount of the Securities and Financial Products Transactions (inflow) for the year ending 31 December 2022.

- **Estimated amounts of lending business:** we noticed that the estimated amounts from lending business (which accounted for approximately 47% of the total estimated amount of the Securities and Financial Products Transactions (inflow)) for FY2022 represented a significant increase as compared to the historical amounts for FY2020. As advised by the Directors, the Group recorded low utilisation of this segment mainly due to the current lending rate of Everbright Bank is higher than that of China Guangfa Bank, SPD Bank, Postal Savings Bank of China, Ping An Bank, China Minsheng Bank (collectively, the “**Five Banks**”).

Based on the historical amounts provided by the Company, the total interbank lending flow of the Company is expected to reach RMB1,200 billion in the year ending 31 December 2021 (“**FY2021**”), which is in line with the annualised amounts of interbank lending flow of the Company for first seven months of FY2021 with the Five Banks. The average amounts of the estimated transaction amounts of the lending business per bank amounted to approximately RMB240 billion for FY2021.

The Company further assumed that the estimated transaction amounts of the lending business per bank would represent an increase of 4% for FY2022 as compared to that for FY2021. The estimated transaction amounts of the lending business from Everbright Group (assuming to be same level to the average estimated transaction amounts of the lending business of the Five Banks) was in line with the implied estimated amounts of the lending business amounts for FY2022, calculated with reference to estimated transaction amounts of the lending business per bank for FY2021 and the estimated increase.

Based on the above, we consider the estimated transaction amounts of the lending business from Everbright Group for FY2022 to be justifiable.

LETTER FROM GRAM CAPITAL

- **Estimated amounts from securities products with fixed income features business:** we noticed that the estimated amounts from securities products with fixed income features business (which accounted for approximately 18% of the total estimated amount of the Securities and Financial Products Transactions (inflow)) for FY2022 represented an increase of approximately 7% and 14% as compared to that for FY2019 and FY2020 respectively.

According to the statistics of the PBOC, the bond market in the PRC maintained stable operation from 2019 to 2020. The issuance volume of bonds increased significantly, the existing size expanded and the transaction settlement recorded higher growth. In 2020, the bond market witnessed the issuance of various bonds with RMB37.75 trillion, representing a year-on-year increase of 39.62%. The total custody amount in the bond market reached RMB104.32 trillion, representing a year-on-year increase of 19.38%. The transaction settlement amount in the bond market totalled RMB1,540.11 trillion, representing a year-on-year increase of 17.81%. Since 2019, various innovative securities and financial products in the PRC have constantly been launched. As the opening-up of the PRC financial industry accelerates, the financial market structure will further expand, alongside with more diversified financial products, resulting in more frequent securities and financial products transactions.

Having considered the performance of bond market in the PRC as mentioned above, we are of the view that the implied increase in the estimated amounts of securities products with fixed income features business (inflow) for FY2022 as compared to FY2019 and FY2020 is justifiable. Accordingly, we consider the estimated amounts of securities products with fixed income features business (inflow) for FY2022 to be justifiable.

- **Estimated amounts from asset management business:** we noticed that the estimated amounts from asset management business for FY2022 (which accounted for approximately 9% of the total estimated amount of the Securities and Financial Products Transactions (inflow)) represented a substantial increase of approximately 51% as compared to that for FY2020.

With reference to the Board Letter, as the transitional period for the implementation of new regulations on asset management will end in the end of 2021, Everbright Asset Management is expected to complete the rectification of the existing products by the end of 2021 to create more favorable conditions for the business development of the Company. Meanwhile, the Measures for the Supervision and Administration of Mutual Fund Managers (Draft for Solicitation of Comments) (《公開募集證券投資基金管理人監督管理辦法(徵求意見稿)》) issued by the CSRC proposed to relax restrictions on the qualification of mutual fund managers. Everbright Asset Management plans to apply for the abovementioned qualification after the implementation of the regulation to carry out asset management business in broader and more standard industries.

LETTER FROM GRAM CAPITAL

As also stated in the Board Letter, driven by the coordinated cooperation strategy of the Everbright Group, Everbright Asset Management will carry out closer business cooperation with Everbright Bank, Everbright Trust and Everbright Wealth Management under the Everbright Group. The size of business cooperation between Everbright Asset Management and companies comprising the Everbright Group surged rapidly in recent years. As at the end of June 2021, the size of business cooperation with Everbright Wealth Management Co., Ltd., a new subsidiary established in the beginning of 2020, reached RMB34.542 billion. It is expected that the total inflow and outflow of onshore and offshore asset management products between the Group and the Everbright Group together with its associates will further increase in the following three financial years.

Having considered the above factors and that the historical amounts from asset management business (inflow) for FY2020 represented a significant increase of approximately 192% as compared to that for FY2019, we are of the view that implied increase in total estimated amount from asset management business for FY2022 as compared to that for FY2020 to be justifiable. Accordingly, we consider the estimated amounts from asset management business for FY2022 to be justifiable.

- **Estimated amounts from financial innovation business:** we understood that the financial innovation business will be operated by the Financial Innovation Business Headquarters and mainly comprised derivative investment and trading business. As stated in the Board Letter, the Company established the Financial Innovation Business Headquarters in early 2021 to develop the derivatives investment and trading business and began to conduct more frequent and large-scale financial product transactions with other members of the Everbright Group. There was no historical amount for FY2019 and FY2020.

We noticed that the estimated amounts from derivatives investment and trading business for FY2022 accounted for approximately 22% of the total estimated amount of the Securities and Financial Products Transactions (inflow).

Out of the total estimated amounts from derivatives investment and trading business for FY2022, estimated amounts from income receipt (收益憑證) accounted for the majority parts.

On the basis of considering the overall size of similar business transactions of leading securities companies and the pricing conditions in the market, the Company estimated the total amount of income receipts transactions with the Everbright Group together with its associates each year.

For our due diligence purpose, we searched over internet and noted from 《場外業務開展情況報告》 (Report for Over-the-counter business status) issued by Securities Association of China that the Company's estimation of monthly total amount of income receipts transactions is in line with the monthly total amount of income receipts transactions by other leading securities companies. Accordingly, we consider the total amount of income receipt transactions with Everbright Group, calculated by monthly total amount times 12 months per year, to be reasonable.

LETTER FROM GRAM CAPITAL

During the process of our analyses, we analysed the Financial Products Annual Cap (inflow) for FY2022 with reference to, among other things, relevant financial amounts for FY2019 and FY2020 instead of first half of 2021, which was mainly due to the volatilities in the proportions of historical amount for first half year to that for the same year (full year) (ranged from approximately 22% to approximately 56% for the four years ended 31 December 2020). Therefore, we consider that our analyses based on, among other things, historical amounts for a full year will be more appropriate.

Having considered the above factors, including the sum of (i) estimated amounts of lending business; (ii) estimated amounts from securities products with fixed income features business; (iii) estimated amounts from asset management business; and (iv) estimated amounts from financial innovation business, for the year ending 31 December 2022 accounted for over 90% of the total estimated amount of the Securities and Financial Products Transactions for the year ending 31 December 2022 (which the Financial Products Annual Cap (inflow) for FY2022 is close to), we are of the view that the Financial Products Annual Cap (inflow) for FY2022 to be fair and reasonable.

The Financial Products Annual Cap (inflow) for (i) FY2023 represented an increase of approximately 20% to that for FY2022; and (ii) for FY2024 represented an increase of 20% to that for FY2023. Having considered that historical amounts of Securities and Financial Products Transactions (inflow) (a) for FY2020 represented an increase of approximately 40.3% to that for FY2019; and (b) for FY2019 represented an increase of approximately 51.4% to that for FY2018, we are of the view that the aforesaid increase from FY2022 to FY2024 to be acceptable. Accordingly, we consider the Financial Products Annual Cap (inflow) for FY2023 and FY2024 to be fair and reasonable.

As confirmed by the Directors, after the sale of fixed income products and equity related products or borrowing from financing transactions, the Group may also purchase such fixed income products and equity related products or receive payment, the inflow may become outflow. Therefore, it is reasonable for the Financial Products Annual Caps (outflow) for the three years ending 31 December 2024 to be set at the same amount for inflow for the same year. Accordingly, we consider the Financial Products Annual Caps (outflow), which are the same as those for the Financial Products Annual Caps (inflow), for the three years ending 31 December 2024 to be fair and reasonable.

Shareholders should note that as the Financial Products Annual Caps for the three years ending 31 December 2024 are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2024, and they do not represent forecasts of revenue/income/cost to be incurred from the Securities and Financial Products Transactions. Consequently, we express no opinion as to how closely the actual revenue/income/cost to be incurred from the Securities and Financial Products Transactions will correspond with the Financial Products Annual Caps.

LETTER FROM GRAM CAPITAL

B. SECURITIES AND FINANCIAL SERVICES TRANSACTIONS

Pricing basis for Securities and Financial Services Transactions

With reference to the Board Letter, the Group primarily charges service fees, commissions and other fees for the Securities and Financial Services to be provided to the Everbright Group and its associates.

The pricing principles for the Securities and Financial Services to be provided by the Group to the Everbright Group and its associates under the 2021 Everbright Group Financial Products and Services Framework Agreement are set out under the section headed “B.2.1 Pricing basis of the Securities and Financial Services to be provided by the Group to the Everbright Group and its associates”.

With reference to Rule 14A.56 of the Listing Rules, among other things, the auditors of the Company must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the continuing connected transactions were not, in all material respects, in accordance with the pricing policies of the listed issuer’s group if the transactions involve the provision of goods or services by the listed issuer’s group. With reference to the Company’s annual reports for FY2019 and FY2020, among other things, the auditors of the Company have issued a letter confirming that nothing has come to their attention that causes them to believe that the continuing connected transactions (including but not limited to the Securities and Financial Services Transactions) were not, in all material respects, in accordance with the pricing policies of the Group for transactions involving the provision of goods or services by the Group.

In addition, the Everbright Group and its associates primarily charge services fees for the Securities and Financial Services to be provided to the Group. The respective pricing mechanisms for the relevant Securities and Financial Services are set out under the section headed “B.2.2 Pricing basis of the Securities and Financial Services to be provided by the Everbright Group and its associates to the Group” of the Board Letter.

Pricing approval and supervision

The Company has also subscribed for information services provided by information service providers, such as Wind Info, and has access to information channels and websites of official and voluntary industry regulatory authorities. The Company will consider the various updated market information available, including published information on completed transaction amounts and rates, and terms offered by the transaction parties etc., before entering into any securities and financial services transactions.

LETTER FROM GRAM CAPITAL

The Group has adopted a series of internal pricing policies and approval procedures to regulate the mutual provision of securities and financial services between the Group and the Everbright Group and its associates. Details of the major internal policies are set out under the section headed “B.3 Pricing Approval and Supervision of the Securities and Financial Services” of the Board Letter. We understood that, among other things, that (i) the Group has subscribed for information services provided by information service providers and will consider various updated market information available; (ii) the Group would conduct pricing quotations/offering procedures from/to at least two independent third parties for comparable services for reference; and (iii) the Group established the Related Party/Connected Transactions Working Group in 2016, which comprises staff from various department and are mainly responsible for managing the Group’s related party/connected transactions on a daily basis. As such, we consider that the internal control procedures are sufficient for the Company to monitor the Securities and Financial Services Transactions and the effective implementation of such procedures would help to ensure fair pricing of the transactions contemplated under the Securities and Financial Services Transactions according to the pricing policies.

In addition, we further discussed with senior management, the Related Party/Connected Transactions Working’s members (who were from different departments) and the staffs of relevant subsidiaries/departments of the Company and understood that the aforesaid parties will comply with relevant implemented internal approval and monitoring procedures when conducting the Securities and Financial Services Transactions.

In light of the above, we are of the view that the terms of the Securities and Financial Services Transactions are on normal commercial terms and are fair and reasonable.

The historical amounts and the proposed annual caps

Set out below are the (i) actual historical transaction amount and existing annual caps of the Securities and Financial Services Transactions for the three years ending 31 December 2021; and (ii) the proposed annual caps for the three years ending 31 December 2024 (the “**Financial Services Annual Cap(s)**”):

Securities and Financial Services Transactions – Revenue nature	For the year ended 31 December 2019 <i>RMB’million</i>	For the year ended 31 December 2020 <i>RMB’million</i>	For the year ending 31 December 2021 <i>RMB’million</i>
Actual historical amount	250.6	329.9	102.1 (<i>Note</i>)
Existing annual caps	950.0	1,050.0	1,200.0
Utilisation rate	26.4%	31.4%	N/A

LETTER FROM GRAM CAPITAL

Securities and Financial Services Transactions – Expense Nature	For the year ended 31 December 2019 <i>RMB'million</i>	For the year ended 31 December 2020 <i>RMB'million</i>	For the year ending 31 December 2021 <i>RMB'million</i>
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Actual historical amount	223.4	153.4	65.3 (<i>Note</i>)
Existing annual caps	250.0	290.0	330.0
Utilisation rate	89.4%	52.9%	N/A

Securities and Financial Services Transactions	For the year ending 31 December 2022 <i>RMB'million</i>	For the year ending 31 December 2023 <i>RMB'million</i>	For the year ending 31 December 2024 <i>RMB'million</i>
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Revenue to be generated by the Group from provision of securities and financial services to the Everbright Group and its associates	1,145	1,374	1,718
Fees to be paid by the Group to the Everbright Group and its associates for their provision of securities and financial services	849	1,019	1,274

Note: The figures were for the six months ended 30 June 2021.

With reference to the Board Letter, the Financial Services Annual Caps for the three years ending 31 December 2024 were determined after taking into account of various factors, details of which are set out under the sections headed “B.5.2 Basis of determination of the proposed annual caps for the revenue to be generated was realized by the Group from provision of the Securities and Financial Services to the Everbright Group and its associates” and “B.5.3 Basis of determination of the proposed annual caps for the fees to be paid by the Group for provision of the Securities and Financial Services by the Everbright Group and its associates” of the Board Letter.

The Financial Services Annual Caps for FY2022 for both revenue nature and expense nature represented significant increases as compared to relevant historical amounts of those for FY2020. We also understood from the Directors that the Securities and Financial Services Transactions are highly market-sensitive and subject to the market conditions which are volatile and vulnerable to numerous complicated factors, such as economic environment.

LETTER FROM GRAM CAPITAL

To assess the fairness and reasonableness of the Financial Services Annual Caps for the three years ending 31 December 2024, we requested the Company to provide us a list showing the breakdown of Financial Services Annual Caps for each of the three years ending 31 December 2024. Based on the list, we performed following analyses:

Financial Services Annual Caps (revenue nature)

We noted from the list that the sum of estimated revenue from (i) investment banking services; (ii) asset management services; (iii) interest income; (iv) estimated income from financial innovation business, represented over 90% of Financial Services Annual Caps (revenue nature) for the year ending 31 December 2022.

- **Investment banking services:** we noticed that the estimated revenue from investment banking services for FY2022 accounted for approximately 17% of the total estimated revenue from the Securities and Financial Services Transactions.

With reference to the Board Letter, as a financial holding group with industry-finance integration, the Everbright Group has many listed companies in Hong Kong and Mainland China. Meanwhile, it has cultivated and is cultivating various enterprises with influence in health, environmental protection, technology and other industries and is expected to enter the domestic capital market in the following three years. Under the general background of encouraging direct financing by the central government and the reform of the registration-based IPO system in the domestic securities market, the re-financing, IPOs and other financing demands and the demand for financial advisory on M&As and reorganizations and other businesses of relevant listed companies and industrial enterprises under the Everbright Group will increase significantly. As a comprehensive securities company controlled by the Everbright Group, the Company enjoys strong competitiveness in the above business sectors. It is expected that the income from the Group's investment banking business will record higher growth.

We also noted that the Group recorded income of RMB47.22 million from investment banking business provided by the Group to Everbright Group in the first half of 2021, which exceeded the income from the investment banking business provided by the Group to Everbright Group in FY2019. Based on the demand of subsidiaries of the Company for capital operation services and the number of projects currently under progress and subject to the progress of the projects and the difficulty in estimating the subsequent market regulatory environment, it is difficult to judge the actual years for the realization of such income. With further reference to the expected progress of projects and the charges on large-scale projects in the market, it is expected that the income from the investment banking business from the Everbright Group together with its associates will increase significantly in the following three financial years.

LETTER FROM GRAM CAPITAL

For our due diligence purpose, we enquired into the Directors regarding the possible income from investment banking services from Everbright Group for FY2022, the nature of the transactions.

Based on the above, we consider the estimated revenue from investment banking services for FY2022 to be justifiable.

- **Asset management services:** we noticed that the estimated revenue from asset management services for FY2022 accounted for approximately 18% of the total estimated revenue from the Securities and Financial Services Transactions.

For our due diligence purpose, we obtained financial statements of Everbright Group for the six months ended 30 June 2021 (being the latest available financial statements of Everbright Group immediately before the Latest Practicable Date) and for the six months ended 30 June 2018 (being the latest available financial statements of Everbright Group immediately before the date of 2018 Everbright Group Financial Products and Services Framework Agreement), respectively. According to Everbright Group's financial statement, Everbright Group recorded total assets of approximately RMB4,684 billion as at 30 June 2018 and RMB6,378 billion as at 30 June 2021, the size of Everbright Group (in terms of total assets) increased substantially.

We further enquired the Directors in respect of the estimated assets under management and estimated fee rate to be charged by the Group for FY2022. We also noted from individual asset management agreements that the estimated fee rate to be charged by the Group for FY2022 fell within the range of asset management fees charged by the Group to independent third parties.

Based on the above, we consider the estimated revenue from asset management services for FY2022 to be justifiable.

- **Interest income:** we noticed that the estimated interest income for FY2022 accounted for approximately 16% of the total estimated revenue from the Securities and Financial Services Transactions.

With reference to the Board Letter, in the ordinary course of business of the Company, the Company deposits its proprietary funds and customers' funds with Everbright Bank or invests in wealth management products. It is expected that the interest on its proprietary funds and customers' funds deposited with Everbright Bank and the investment in wealth management products will continue to contribute significant revenue.

LETTER FROM GRAM CAPITAL

Upon our request, the Directors provided us the interest income from Everbright Group for FY2019 and FY2020. We noticed that the estimated interest income from Everbright Group for FY2022 was close to the average interest income from Everbright Group for FY2019 and FY2020. Accordingly, we consider the estimated interest income from Everbright Group for FY2022 to be justifiable.

- **Estimated income from financial innovation business:** we noticed that the estimated income from financial innovation business for FY2022 accounted for approximately 42% of the total estimated revenue from the Securities and Financial Services Transactions.

With reference to the Board Letter, when the Group, through financial innovation business, provides companies comprising the Everbright Group with OTC options, income swaps and other equity products, such counterparties will pay fees on OTC options and fixed revenue on swaps to the Company. Such option fees are mainly priced based on the size of the nominal principal, the structure and targets of options.

Upon our request, the Directors provided us the estimated nominal value of OTC options with Everbright Group or its associates as counterparty and estimated option fee rates.

The estimated income from financial innovation business was calculated by the nominal value of OTC options times estimated option fee rates. Accordingly, we consider the estimated income from financial innovation business for FY2022 to be justifiable.

During the process of our analyses, we analysed the Financial Services Annual Cap (revenue nature) for FY2022 with reference to, among other things, relevant financial amounts for FY2019 and FY2020 instead of first half of 2021, which was mainly due to the volatilities in the proportions of historical amount for first half year to that for the same year (full year) (ranged from approximately 29% to approximately 52% for the four years ended 31 December 2020). Therefore, we consider that our analyses based on, among other things, historical amounts for a full year will be more appropriate.

In light of the above factors, we consider the Financial Services Annual Cap (revenue nature) for the year ending 31 December 2022 to be fair and reasonable.

The Financial Services Annual Cap (revenue nature) for (i) FY2023 represented an increase of approximately 20% to that for FY2022; and (ii) for FY2024 represented an increase of 25% to that for FY2023. Having considered that historical amounts of Securities and Financial Services Transactions (revenue nature) for FY2020 represented an increase of approximately 31.6% to that for FY2019, we are of the view that the aforesaid increase from FY2022 to FY2024 to be acceptable. Accordingly, we consider the Financial Services Annual Cap (revenue nature) for FY2023 and FY2024 to be fair and reasonable.

LETTER FROM GRAM CAPITAL

Financial Services Annual Caps (expense nature)

We noted from the list that the expected sum of fees for (i) estimated fees to be incurred by financial innovation business; (ii) estimated fees to be paid by Everbright Asset Management; and (iii) loan services fees represented approximately 90% of Financial Services Annual Caps (expense nature) for the year ending 31 December 2022.

- **Estimated fees to be incurred by financial innovation business (the “FIB Fees”):** we noticed that the estimated FIB Fees for FY2022 accounted for approximately 65% of the total estimated fees to be incurred by the Securities and Financial Services Transactions.

As advised by the Directors, the estimated FIB Fees mainly comprised (i) estimated proxy sales fees of income receipt; and (ii) estimated amounts to be paid in respect of derivatives products.

Proxy sales fees of income receipt

With reference to the Board Letter, while conducting transactions on income receipt products with companies comprising the Everbright Group represented by Everbright Trust and Everbright Bank, the Company will pay proxy sales fees on financial products to the counterparties, which is charged at a market rate of 0.2% and the annual size is linked with the progress of cooperation projects on income receipt products each year.

The estimated proxy sales fees of income receipts are in line with the implied proxy sales fees of income receipt which was calculated by the aforesaid market rate and total amount of income receipt transactions with Everbright Group for FY2022. Accordingly, we consider the estimated proxy sales fees of income receipts for FY2022 to be justifiable.

The estimated amounts to be paid in respect of derivatives products

As advised by the Directors, in respect of call options issued by the Group (through financial innovation business) to Everbright Group, if the value of underlying assets of the call option increases, the Group will be required to pay the difference amount between value of underlying assets and exercise price.

The Directors assumed the amounts to be paid to Everbright Group for FY2022 based on the amounts of call option and the realization ratio of the settlement ratio. For our due diligence purpose, we obtained aforesaid figures and cross-checked the calculation.

Based on the above, we consider the estimated amounts to be paid in respect of derivatives products for FY2022 to be justifiable.

LETTER FROM GRAM CAPITAL

- **Estimated fees to be paid by Everbright Asset Management:** we noticed that the estimated services fees paid by Everbright Asset Management for FY2022 accounted for approximately 12% of the total estimated fees to be incurred by the Securities and Financial Services Transactions.

Upon our request, the Directors provided us with the estimated total holding amount of proxy sales of Everbright Asset Management's financial products to be conducted by the Everbright Group (the "**Estimated Total Holding Amounts**"). To assess the reasonableness of the Estimated Total Holding Amounts, we further request the Directors the historical amounts and noted that such historical amounts for FY2020 were substantially lower than those for FY2019, which was mainly due to positive response to regulatory requirements as advised by the Directors. We also noted that the Directors estimated the Estimated Total Holding Amounts for FY2022 based on the historical amount of FY2019.

Having considered following factors, we concur with the Directors that the Estimated Total Holding Amounts for FY2022 based on the historical amount of FY2019 to be acceptable:

- We understood from the Company that in 2018, with the formal implementation of new regulations and rules on asset management, the asset management industry has been further regulated strictly with increasing competition. The industry is in the period of shrinking for adjustment. The scale of channel asset management of securities firms continued to shrink due to the ongoing dechanneling and deleveraging policies. Asset management business of securities firms and the existing business of their partners are all under huge pressure on restructuring with more difficulties in developing incremental business, thus finding the business growth arena based on its own resources and strength and seeking diversified competition has become the new issue of the asset management industry.
- As the transitional period for the implementation of new regulations on asset management will end in the end of 2021, Everbright Asset Management is expected to complete the rectification of the existing products by the end of 2021 to create more favorable conditions for the business development of the Company. Meanwhile, the Measures for the Supervision and Administration of Mutual Fund Managers (Draft for Solicitation of Comments) (《公開募集證券投資基金管理人監督管理辦法(徵求意見稿)》) issued by the CSRC proposed to relax restrictions on the qualification of mutual fund managers. Everbright Asset Management plans to apply for the abovementioned qualification after the implementation of the regulation to carry out asset management business in broader and more standard industries.

LETTER FROM GRAM CAPITAL

- In addition, with the progress of the rectification work under the new regulations on asset management, the Group's holding amount of proxy sales of financial products in Everbright Group and its associates presents a "V" shape trend. Although the scale of proxy sales declined in 2020 as compared to 2019, by the end of August 2021, the total holding amount of proxy sales of financial products at its connected parties reached approximately 85% of the total amount in 2020, amounting to RMB9 billion. It is expected that the scale will continue to climb in the following years after rapidly recovering to the level of 2019.

Despite that the Estimated Total Holding Amounts for FY2022 still represented a substantial increase to the historical amounts for FY2019, we consider such increase to be acceptable after taking into account that the transition period for the rectification of the new regulations on asset management will end at the end of 2021 and the rectification of the Group's products will also be close to completion. With the increase in the number of new products launched by the Group and the continuous marketing of products after rectification, especially public products, the amount of proxy sales of financial products by Everbright Group and its associates is expected to continue to increase.

Based on the above, we consider the estimated fees to be paid in respect of the Estimated Total Holding Amounts for FY2022 to be justifiable.

- **Loan services fees:** we noticed that the estimated fees for loan services for FY2022 accounted for approximately 12% of the total estimated fees to be incurred by the Securities and Financial Services Transactions.

Upon our request, the Directors further provided historical fees for loan services paid by the Group to Everbright Group for FY2019 and FY2020. We noted that the estimated loan services fees for FY2022 represented an increase of approximately 15% to the average historical loan services fees for FY2019 and FY2020.

During the process of our analyses, we analysed the Financial Services Annual Cap (expense nature) for FY2022 with reference to, among other things, relevant financial amounts for FY2019 and FY2020 instead of first half of 2021, which was mainly due to the volatilities in the proportions of historical amount for first half year to that for the same year (full year) (ranged from approximately 31% to approximately 59% for the four years ended 31 December 2020). Therefore, we consider that our analyses based on, among other things, historical amounts for a full year will be more appropriate.

In light of the above factors, we consider the Financial Services Annual Cap (expense nature) for the year ending 31 December 2022 to be fair and reasonable.

LETTER FROM GRAM CAPITAL

The Financial Services Annual Cap (expense nature) for (i) FY2023 represented an increase of approximately 20% to that for FY2022; and (ii) for FY2024 represented an increase of 25% to that for FY2023. We noticed that the increases were mainly due to the estimated increases in FIB fees (as the results of increase in income receipts business scale and the size of OTC derivatives), we are of the view that the aforesaid increase from FY2022 to FY2024 to be acceptable. Accordingly, we consider the Financial Services Annual Cap (expense nature) for FY2023 and FY2024 to be fair and reasonable.

Shareholders should note that as the Financial Services Annual Caps for the three years ending 31 December 2024 are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2024, and they do not represent forecasts of revenue/income/cost to be incurred from the Securities and Financial Services Transactions. Consequently, we express no opinion as to how closely the actual revenue/income/cost to be incurred from the Securities and Financial Services Transactions will correspond with the Financial Services Annual Caps.

Hong Kong Listing Rules implication

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Hong Kong Listing Rules pursuant to which (i) the values of the transactions under the 2021 Everbright Group Financial Products and Services Framework Agreement must be restricted by the Financial Services Annual Caps and/or the Financial Products Annual Caps for the period concerned under the 2021 Everbright Group Financial Products and Services Framework Agreement; (ii) the terms of the transactions under the 2021 Everbright Group Financial Products and Services Framework Agreement must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the transactions contemplated under the 2021 Everbright Group Financial Products and Services Framework Agreement must be included in the Company's subsequent published annual reports.

Furthermore, it is also required by the Hong Kong Listing Rules that the auditors of the Company must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the transactions contemplated under the 2021 Everbright Group Financial Products and Services Framework Agreement (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the listed issuer's group if the transactions involve the provision of goods or services by the listed issuer's group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the annual caps.

LETTER FROM GRAM CAPITAL

In the event that the total amounts of the transactions contemplated under the 2021 Everbright Group Financial Products and Services Framework Agreement are anticipated to exceed the annual caps, or that there are any proposed material amendment to the terms of the 2021 Everbright Group Financial Products and Services Framework Agreement, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Hong Kong Listing Rules governing continuing connected transactions.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Transactions are on normal commercial terms and are fair and reasonable; and (ii) the Transactions are in the interests of the Company and the Shareholders as a whole and conducted in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Transactions and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

NOTICE OF 2021 FIRST EXTRAORDINARY GENERAL MEETING

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this notice, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this notice.



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

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

NOTICE OF 2021 FIRST EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2021 first extraordinary general meeting (“EGM”) of Everbright Securities Company Limited (the “Company”) will be held at 2:30 p.m. on Tuesday, November 16, 2021 at Jing'an International Plaza, No. 1508 Xinzha Road, Jing'an District, Shanghai, PRC, to consider and, if thought fit, approve the following resolutions.

ORDINARY RESOLUTIONS

1. To consider and approve the resolution of the re-appointment of external auditors for the year 2021.
2. To consider and approve the resolution of entering into ordinary related party (connected) transactions framework agreement with China Everbright Group Corporation Limited.

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

Shanghai, the PRC
September 28, 2021

As at the date of this notice, 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).

NOTICE OF 2021 FIRST EXTRAORDINARY GENERAL MEETING

Notes:

1. Eligibility for Attending the EGM and Closure of Register of Members for H Shares

The H Share register of members of the Company will be closed for the purpose of determining H Shareholders' entitlement to attend the EGM from Saturday, October 16, 2021 to Tuesday, November 16, 2021 (both days inclusive), during which period no transfer of H Shares will be registered. In order to attend the EGM, H Shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Friday, October 15, 2021 to complete registration.

The Company will announce separately on the Shanghai Stock Exchange for details of A Shareholders' eligibility for attending the EGM.

2. Proxy

- (1) Any Shareholder entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote at the meeting on his or her behalf. A proxy need not be a Shareholder.
- (2) The instrument appointing a proxy must be in writing by the appointor or his attorney duly authorized in writing, or if the appointor is a legal entity, either under seal or signed by a director or a duly authorized attorney.

To be valid, for H Shareholders, the form of proxy or other documents of authorization must be delivered to Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 24 hours before the time fixed for the EGM (i.e. 2:30 p.m. on Monday, November 15, 2021) (the proxy form for the EGM is enclosed herewith).

Completion and return of the form of proxy will not preclude the Shareholders from attending and voting at the EGM or at any adjourned meeting if they so wish.

3. Registration Procedures for Attending the EGM

- (1) A Shareholder or his proxy should produce proof of identity when attending the EGM. If a Shareholder is a legal person, its legal representative or other person authorized by the board of directors or other governing body of such Shareholder may attend the EGM by producing a copy of the resolution of the board of directors or other governing body of such Shareholder appointing such person to attend the meeting.
- (2) Shareholders intending to attend the EGM in person or by their proxies should return the completed and signed reply slip for attending the EGM in person, by post or by fax to Computershare Hong Kong Investor Services Limited (for H Shareholders), or to the Company's Board office (for A Shareholders) on or before Wednesday, October 27, 2021.

4. Voting by Poll

According to Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, any vote of shareholders at a general meeting must be taken by poll. Accordingly, the chairman of the EGM will exercise his power under the Articles of Association to demand a poll in relation to all the resolutions to be proposed at the EGM. Results of the poll voting will be posted on the website of the Company at www.ebscn.com and on the HKEXnews website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk upon the conclusion of the EGM.

5. Miscellaneous

- (1) The duration of the EGM is expected not to exceed half a day. Shareholders who attend the EGM shall arrange for their own transportation and accommodation at their own expenses.
- (2) The address of Computershare Hong Kong Investor Services Limited is at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (Telephone: (852) 2862 8555, Fax: (852) 2865 0990).
- (3) The address of the Company's Board office is at No. 1508 Xinzha Road, Jing'an District, Shanghai, PRC (Postcode: 200040, Telephone: (86) 21 2216 9914, Fax: (86) 21 2216 9964).

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility for, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

As of the Latest Practicable Date, the share capital of the Company was as follows:

	Number of Shares	Approximate Percentage of Total Issued Shares of the Company
A Shares	3,906,698,839	84.73%
H Shares	704,088,800	15.27%
Total	4,610,787,639	100.00%

3. EXPERT AND CONSENT

The qualification of the expert providing opinions or advices in this circular is set out below:

Name of Expert	Qualification
Gram Capital Limited	A licensed corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance

As at the Latest Practicable Date, the above expert has given and has not withdrawn its consent letter to the issuance of this circular with the inclusion of and/or references to its report or letter in the form and context in which they are included.

As at the Latest Practicable Date, the above expert did not own any equity interest in any member of the Group, or any right (whether legally enforceable or not) to subscribe or nominate others to subscribe for the securities of any member of the Group.

As of the Latest Practicable Date, the above expert did not have interest in any assets which have been acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group since December 31, 2020, being the publication date of the latest announced audited annual financial statements of the Group.

4. NO MATERIAL ADVERSE CHANGE

As of the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial and operating conditions of the Group since December 31, 2020, being the publication date of the latest announced audited annual financial statements of the Group.

5. SERVICE CONTRACTS WITH DIRECTORS AND SUPERVISORS

The Company has entered into “Service Contracts with Directors” with 13 Directors of the Sixth Session of the Board of Directors and “Service Contracts with Supervisors” with 8 Supervisors of the Sixth Session of the Supervisory Committee. The term of office of the Directors and the Supervisors is from the date of approval of the resolution by the general meeting to the date of expiry of the term of the Sixth Session of the Board of Directors and the Sixth Session of the Supervisory Committee, respectively. The “Service Contracts with Directors” and the “Service Contracts with Supervisors” set out the agreed terms regarding the responsibilities within the terms and the terms of office of the Directors and the Supervisors.

Save as disclosed above, as of the Latest Practicable Date, none of the Directors or Supervisors had entered into or proposed to enter into any other service contracts with the Company or any member of the Group (excluding agreements that expire within one year or are terminable by the Group within one year without payment of compensation (other than the statutory compensation)).

6. DISCLOSURE OF INTEREST

- (1) As of the Latest Practicable Date, none of the Directors or Supervisors of the Company had interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or have been proposed to be acquired or disposed of by or leased to any member of the Group since December 31, 2020, being the publication date of the latest announced audited annual financial statements of the Group.
- (2) As disclosed in paragraph (5) below, certain Directors and Supervisors of the Company hold positions at the Everbright Group and Everbright Limited, a subsidiary of the Everbright Group. The Company and the Everbright Group entered into the 2018 Everbright Group Financial Products and Services Framework Agreement, which shall be valid until December 31, 2021.

Save as this, none of the Directors or Supervisors of the Company had material interest in any contracts or arrangements subsisting as of the Latest Practicable Date and are significant in relation to the business of the Group.

- (3) Except for the service contracts, the Company or the subsidiaries of the Company did not enter into any significant transactions, arrangements or contracts in which the Directors or Supervisors of the Company or their connected entities were still or had been materially interested either directly or indirectly during the Reporting Period.
- (4) As of the Latest Practicable Date, Mr. Yin Lianchen, a non-executive Director of the Company, had personal interest of 26,000 shares of Everbright Limited, representing 0.00% of the total issued share capital of Everbright Limited. Everbright Limited is an associated corporation of the Company and its shares are listed on the Hong Kong Stock Exchange (stock code: 165).

Save as disclosed above, as of the Latest Practicable Date, none of the Directors, Supervisors or chief executive of the Company had interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors, Supervisors or chief executives of the Company are taken or deemed to have pursuant to the provisions of the SFO) or which was required to be entered into the register kept by the Company for record pursuant to the requirements of Section 352 of the SFO or which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers adopted by the Company.

- (5) (1) Mr. Song Bingfang, a non-executive director of the Company, is the deputy director (director level) in the board office of China Everbright Group Corporation Limited; (2) Mr. Fu Jianping, a non-executive director of the Company, is a senior expert of China Everbright Group Corporation Limited; (3) Mr. Chan Ming Kin, a non-executive director of the Company, is the chief legal counsel of China Everbright Limited; (4) Mr. Tian Wei, a non-executive director of the Company, is the director of the office of China State Construction Engineering Corporation Limited; (5) Mr. Yu Mingxiong, a non-executive director of the Company, is the director and general manager of China Shipbuilding Capital Limited; (6) Mr. Wu Chunsheng, a supervisor of the Company, is a senior expert of audit center, deputy general manager of audit department and the deputy secretary of the Disciplinary Committee of China Everbright Group Corporation Limited; (7) Mr. Wang Hongyang, a supervisor of the Company, is the deputy chief financial officer of China Everbright Limited.

As of the Latest Practicable Date, the interests in the shares of the Company owned by the Everbright Group, Everbright Limited, China State Construction Engineering Corporation Limited and China Shipbuilding Capital Limited, which are required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, have been recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

7. INTERESTS OF DIRECTORS IN BUSINESS CONSTITUTING COMPETITION WITH THE COMPANY

As of the Latest Practicable Date, none of the Directors or their respective close associates had interests in any business which constitutes direct or indirect competition or may constitute competition with the business of the Group.

8. MATERIAL LITIGATION

As of the Latest Practicable Date, no member of the Group was involved in any material litigation or arbitration and there was no material litigation or claim known to the Directors to be pending or threatened by or against any member of the Group.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Clifford Chance located at the 27th Floor Jardine House, One Connaught Place, Central, Hong Kong, during normal business hours from the date of this circular to October 12, 2021 (inclusive of the commencing and ending dates):

- (1) the 2021 Everbright Group Financial Products and Services Framework Agreement proposed to be renewed by both parties upon obtaining the approval from the Independent Shareholders at the EGM;
- (2) the Letter from the Independent Board Committee;
- (3) the Letter from Gram Capital;
- (4) the service contracts with Directors and Supervisors referred to in the paragraph headed “Services Contracts with Directors and Supervisors” in this Appendix I; and
- (5) the Letter of consent from the expert referred to in the paragraph headed “Expert and Consent” in this Appendix I.