
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 form of proxy and reply slip that have been despatched to you, 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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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)

- (1) 2017 Report of the Board of Directors**
 - (2) 2017 Report of the Supervisory Committee**
 - (3) 2017 Annual Report**
 - (4) 2017 Profit Distribution Plan**
 - (5) Proposal of Expected Ordinary Related Party/Connected Transactions in 2018**
 - (6) Proposal of Proprietary Trading Businesses Scale in 2018**
 - (7) Proposal of the Engagement of External Auditors in 2018**
 - (8) Proposal of the General Mandate to Issue Overseas Debt Financing Instruments**
 - (9) Proposal of Issuance of Asset-backed Securities**
 - (10) Independent Directors' Annual Work Report for 2017 (Non-voting matter)**
- and**
- (11) Notice of AGM**

The 2017 Annual General Meeting (“AGM”) of Everbright Securities Company Limited (the “Company”) will be held at 2:30 p.m. on Tuesday, May 15, 2018 at Jing’an International Plaza, No. 1508 Xinzha Road, Jing’an District, Shanghai, the PRC. A notice convening the AGM is set out on pages 7 to 12 of this circular.

Whether or not you are able to attend the AGM, you are advised to read the notice of the AGM and to complete and return the proxy form that has been despatched to you in accordance with the instructions printed thereon. For H Shareholders, the proxy form 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 proxy form to the Company’s Board office, in person or by post no later than 24 hours before the time appointed for convening the AGM (i.e., 2:30 p.m. on Monday, May 14, 2018) or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting at the AGM or at any adjourned meeting if you so wish.

If you intend to attend the AGM 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, April 25, 2018.

April 16, 2018

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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
“AGM”	the 2017 annual general meeting of the Company to be held at 2:30 p.m. on Tuesday, May 15, 2018
“Articles of Association”	the articles of association of the Company
“AUM”	asset under management
“Board” or “Board of Directors”	the board of Directors of the Company
“Company Law”	the Company Law of the People’s Republic of China
“Company” or “our Company” or “Everbright Securities” or “Parent”	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 Stock Exchange (stock code: 6178) and the SSE (stock code: 601788), respectively
“CSRC”	China Securities Regulatory Commission
“Directors”	the directors of the Company
“EBSHK”	Everbright Securities Financial Holdings Limited, a wholly-owned subsidiary of the Company
“ESIL”	Everbright Securities (International) Limited, a wholly-owned subsidiary of EBSHK
“Everbright Asset Management”	Shanghai Everbright Securities Asset Management Co., Ltd., a wholly-owned subsidiary of the Company
“Everbright Capital”	Everbright Capital Investment Co., Ltd., a wholly-owned subsidiary of the Company

DEFINITIONS

“Everbright Fortune”	Everbright Fortune Investment Co., Ltd., a wholly-owned subsidiary of the Company
“Everbright Futures”	Everbright Futures Co., Ltd., a wholly-owned subsidiary of the Company
“Everbright Leasing”	Everbright Fortune International Leasing Co., Ltd., a subsidiary of the Company
“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 Stock Exchange and traded in Hong Kong Dollars (stock code: 6178)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HKD”	the lawful currency of Hong Kong
“Independent Director” or “Independent Non-executive Director”	independent non-executive director of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“NEEQ”	National Equities Exchange and Quotations
“PPP”	Public-private Partnership
“Renminbi” or “RMB”	the lawful currency of the PRC
“Reporting Period”	2017 (January 1, 2017 to December 31, 2017)
“Securities Law”	Securities Law of the People’s Republic of China
“Shareholders”	shareholders of the Company, including A Shareholders and H Shareholders
“Shares”	shares of the Company, including A Shares and H Shares

DEFINITIONS

“SSE”	Shanghai Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor”	supervisor of the Company
“Supervisory Committee”	the supervisory committee of the Company
“SZSE”	Shenzhen Stock Exchange

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

LETTER FROM THE BOARD



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)

Mr. Ge Haijiao (*Non-executive Director*)
Mr. Xue Feng (*Chairman, Executive Director*)
Mr. Ju Hao (*Non-executive Director*)
Mr. Yin Lianchen (*Non-executive Director*)
Mr. Chan Ming Kin (*Non-executive Director*)
Mr. Xue Keqing (*Non-executive Director*)
Mr. Xu Jingchang (*Independent Non-executive Director*)
Mr. Xiong Yan (*Independent Non-executive Director*)
Mr. Li Zheping (*Independent Non-executive Director*)
Mr. Au Sing Kun (*Independent Non-executive Director*)

Registered office and principal place of business in the PRC:
No. 1508 Xinzha Road,
Jing'an District,
Shanghai,
the PRC

Place of business in Hong Kong:
24/F, Lee Garden One,
33 Hysan Avenue,
Causeway Bay,
Hong Kong

April 16, 2018

To the Shareholders

Dear Sir or Madam,

- (1) 2017 Report of the Board of Directors**
- (2) 2017 Report of the Supervisory Committee**
- (3) 2017 Annual Report**
- (4) 2017 Profit Distribution Plan**
- (5) Proposal of Expected Ordinary Related Party/Connected Transactions in 2018**
- (6) Proposal of Proprietary Trading Businesses Scale in 2018**
- (7) Proposal of the Engagement of External Auditors in 2018**
- (8) Proposal of the General Mandate to Issue Overseas Debt Financing Instruments**
- (9) Proposal of Issuance of Asset-backed Securities**
- (10) Independent Directors' Annual Work Report for 2017 (Non-voting matter)**
- and**
- (11) Notice of AGM**

I. INTRODUCTION

On behalf of the Board, I would like to invite you to attend the AGM to be held at 2:30 p.m. on Tuesday, May 15, 2018 at Jing'an International Plaza, No. 1508 Xinzha Road, Jing'an District, Shanghai, the PRC. The purpose of this circular is to give you notice of the AGM 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 AGM.

LETTER FROM THE BOARD

II. BUSINESSES TO BE CONSIDERED AT THE AGM

Details of the businesses to be considered at the AGM are set out on page I-1 to page I-5 of this circular.

The proposals to be presented as ordinary resolutions for considering and approval at the AGM include: (1) 2017 Report of the Board of Directors; (2) 2017 Report of the Supervisory Committee; (3) 2017 Annual Report; (4) 2017 Profit Distribution Plan; (5) Proposal of Expected Ordinary Related Party/Connected Transactions in 2018; (6) Proposal of Proprietary Trading Businesses Scale in 2018; (7) Proposal of the Engagement of External Auditors in 2018. The proposals to be presented as special resolutions for considering and approval at the AGM include: (8) Proposal of the General Mandate to Issue Overseas Debt Financing Instruments; and (9) Proposal of Issuance of Asset-backed Securities.

In order to enable you to have a further understanding of the proposals to be presented at the AGM and obtain sufficient and necessary information to make decisions, we have provided detailed information to Shareholders in Appendix I to this circular, including the information and explanation of the proposals to be adopted at the AGM.

Independent Directors' Annual Work Report for 2017 will be presented at the AGM, but no Shareholders' approval is required. To provide detailed information to Shareholders, the report is set out in Appendix II to this circular for the inspection by the Shareholders.

III. AGM

The AGM will be held at 2:30 p.m. on Tuesday, May 15, 2018 at Jing'an International Plaza, No. 1508 Xinzha Road, Jing'an District, Shanghai, the PRC, to consider and, if thought fit, approve the proposals mentioned above. The notice of AGM is set out on pages 7 to 12 of this circular.

A form of proxy for use at the AGM has been despatched to you. Whether or not you are able to attend the AGM, you are advised to read the notice of AGM and to complete and return the proxy form that has been despatched to you in accordance with the instructions printed thereon. For H Shareholders, the proxy form 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 proxy form to the Company's Board office, in person or by post no later than 24 hours before the time appointed for convening the AGM (i.e., 2:30 p.m. on Monday, May 14, 2018) or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting at the AGM or at any adjourned meeting if you so wish.

If you intend to attend the AGM 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, April 25, 2018 in person, by mail or by fax.

LETTER FROM THE BOARD

The Company's Board office is located at 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).

IV. VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote by Shareholders at a general meeting must be taken by poll. Therefore, the resolutions to be proposed at the AGM 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 AGM.

V. RECOMMENDATION

The Board considers that all the aforesaid proposals are in the best interests of the Company and the Shareholders as a whole and accordingly recommends you to vote in favor of such resolutions to be proposed at the AGM.

Yours faithfully,
By order of the Board
Everbright Securities Company Limited
Xue Feng
Chairman

Shanghai, the PRC

NOTICE OF AGM



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 2017 Annual General Meeting

NOTICE IS HEREBY GIVEN that the 2017 annual general meeting (the “**AGM**”) of Everbright Securities Company Limited (the “**Company**”) will be held at 2:30 p.m. on Tuesday, May 15, 2018 at Jing’an International Plaza, No. 1508 Xinzha Road, Jing’an District, Shanghai, the PRC, to consider and, if thought fit, approve the following resolutions.

Ordinary Resolutions

1. To consider and approve the 2017 Report of the Board of Directors.
2. To consider and approve the 2017 Report of the Supervisory Committee.
3. To consider and approve the 2017 Annual Report.
4. To consider and approve the 2017 Profit Distribution Plan.
5. To consider and approve the Proposal of Expected Ordinary Related Party/Connected Transactions in 2018.
6. To consider and approve the Proposal of Proprietary Trading Businesses Scale in 2018.
7. To consider and approve the Proposal of the Engagement of External Auditors in 2018.

Special Resolutions

8. To consider and approve the Proposal of the General Mandate to Issue Overseas Debt Financing Instruments, including:
 - 8.1. Type
 - 8.2. Term
 - 8.3. Interest Rates

NOTICE OF AGM

- 8.4. Issuer as well as Size and Method of Issuance
- 8.5. Issue Price
- 8.6. Guarantees and Other Arrangements
- 8.7. Purpose of Proceeds
- 8.8. Target Subscribers and Arrangements for Placement to the Shareholders of the Company
- 8.9. Listing of the Debt Financing Instruments
- 8.10. Validity Period of the Resolution
- 8.11. Authorised Matters Relating to the Issuance of the Overseas Corporate Debt Financing Instruments
- 9. To consider and approve the Proposal of Issuing Asset-backed Securities, including:
 - 9.1. Issuer
 - 9.2. Size of Issuance
 - 9.3. Underlying Assets
 - 9.4. Period of Vehicle
 - 9.5. Expected Yield
 - 9.6. Place of Listing
 - 9.7. Guarantees
 - 9.8. Measures for Guaranteeing Debt Repayment
 - 9.9. Authorized Matters
 - 9.10. Validity Period of the Resolution

NOTICE OF AGM

To Hear the Relevant Report

10. To hear the Independent Directors' Annual Work Report for 2017.

By order of the Board
Everbright Securities Company Limited
Xue Feng
Chairman

Shanghai, the PRC
March 27, 2018

As at the date of this notice, the Board of the Company comprises Mr. Gao Yunlong (Non-executive Director), Mr. Ge Haijiao (Non-executive Director), Mr. Xue Feng (Chairman, Executive Director), Mr. Ju Hao (Non-executive Director), Mr. Yin Lianchen (Non-executive Director), Mr. Chan Ming Kin (Non-executive Director), Mr. Xue Keqing (Non-executive Director), Mr. Xu Jingchang (Independent Non-executive Director), Mr. Xiong Yan (Independent Non-executive Director), Mr. Li Zheping (Independent Non-executive Director) and Mr. Au Sing Kun (Independent Non-executive Director).

NOTICE OF AGM

Notes:

1. In accordance with the provisions of the Rules of the Shareholders' General Meeting of Listed Companies formulated by the China Securities Regulatory Commission, independent Directors shall present a work report at the AGM. The report will be submitted to the AGM, but Shareholders need not to make a resolution on it. The work report by independent non-executive Directors for 2017 is set out in the circular of the Company's AGM for inspection by Shareholders.

2. **Eligibility for Attending the AGM 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 AGM from Sunday, April 15, 2018 to Tuesday, May 15, 2018 (both days inclusive), during which period no transfer of H Shares will be registered. In order to attend the AGM, H Shareholders should ensure that all share certificates, accompanied with transfer documents, 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, April 13, 2018 to complete registration. The H Shareholders of the Company whose names appear on the register of Computershare Hong Kong Investor Services Limited after business hours on Friday, April 13, 2018 are entitled to attend the AGM.

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

3. **Proxy**

- (1) Any Shareholder entitled to attend and vote at the AGM 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 appointer or his attorney duly authorized in writing, or if the appointer is a legal entity, either under seal or signed by a director or a duly authorized attorney.

To be valid, for H Shareholders, the proxy form 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 AGM (i.e. at 2:30 p.m. on Monday, May 14, 2018).

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

4. **Reply Slip**

Shareholders (for H Shareholders) who intend to attend and vote in the AGM in person or by proxy are required to return the completed and signed reply slip to the Company's H share registrar on or before Wednesday, April 25, 2018. Reply slip may be sent to the Company's H share registrar, Computershare Hong Kong Investor Services Limited (located at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong) in person, by mail or by fax (for H Shareholders).

Completion and return of the reply slip does not affect the right of Shareholders entitled to attend and vote at the AGM. However, if Shareholders have not returned their reply slips, and the number of shares entitled to vote as held by the Shareholders indicating in the reply slips to attend the AGM account less than half of the total number of shares of the Company entitled vote at the AGM, the Company will, in accordance with the Articles of Association, inform the Shareholders again within 5 days of the matters to be considered as well as the place of such meeting, date and time by way of an announcement. After notice by such announcement, the Company may hold such general meeting.

NOTICE OF AGM

5. 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 AGM will exercise his power under the Articles of Association to demand a poll in relation to all the resolutions to be proposed at the AGM. 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 AGM.

6. Distribution of final dividend of H Shares

The Board of the Company has proposed to pay the final cash dividend of RMB2.00 (tax inclusive) for every 10 shares for the year ended December 31, 2017 to all A Shareholders and H Shareholders, which is expected to be RMB922,157,527.80 (tax inclusive), on the basis of a total share capital of 4,610,787,639 A Shares and H Shares in issue as of December 31, 2017. Cash dividend is denominated and declared in RMB, and paid to A Shareholders in RMB and to H Shareholders in HKD. The actual distribution amount in HKD would be calculated at the rate of average benchmark exchange rate of RMB against HKD published by the People's Bank of China for five business days prior to the 2017 AGM. If the Company's proposal of the proposed profit distribution of 2017 is approved by the AGM, the cash dividend will be distributed within two months from the date of the AGM.

The Company will publish separate announcement on the record date and book closure period for the payment of the dividends to the H Shareholders, as well as the record date and the date for the payment of the dividends to A Shareholders.

7. Tax Matters

Pursuant to the Notice of the PRC State Administration of Taxation on Issues Concerning Individual Income Tax Collection and Management after the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348), the dividend received by the overseas resident individual shareholders from the stocks issued by domestic non-foreign invested enterprises in Hong Kong is subject to the payment of individual income tax in according to the items of "interests, dividend and bonus income", which shall be withheld by the withholding agents in according to the relevant laws. The overseas resident individual shareholders who hold the stocks issued by domestic non-foreign invested enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements signed between the countries where they are residents and China or the tax arrangements between Mainland China and Hong Kong (Macau). The tax rate for dividends under the relevant tax agreements and tax arrangements is generally 10%, and for the purpose of simplifying tax administration, domestic non-foreign invested enterprises issuing shares in Hong Kong may, when distributing dividend, generally withhold individual income tax at the rate of 10%, and are not obligated to file an application. If the tax rate for dividend is not equal to 10%, the following provisions shall apply: (1) for citizens from countries under tax agreements to be entitled to tax rates lower than 10%, the withholding agents will file applications on their behalf to seek entitlement of the relevant agreed preferential treatments, and upon approval by the tax authorities, over withheld tax amounts will be refunded; (2) for citizens from countries under tax agreements to be entitled to tax rates higher than 10% but lower than 20%, the withholding agents will withhold the individual income tax at the agreed-upon effective tax rate when distributing dividend (bonus), and are not obligated to file an application; (3) for citizens from countries without tax agreements or are under other situations, the withholding agents will withhold the individual income tax at a tax rate of 20% when distributing dividend. Pursuant to the Notice of the State Administration of Taxation on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to Holders of H Shares Which Are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897), a PRC resident enterprise, when distributing dividends for 2008 and for the years afterwards to holders of H Shares who are overseas non-resident enterprises, shall be subject to the enterprise income tax withheld at a uniform rate of 10%.

NOTICE OF AGM

Withholding of income tax on H Shareholders of Hong Kong Stock Connect

In accordance with the relevant provisions of the Notification on Relevant Tax Policies for Pilot Operation of Transaction Interconnection Mechanism of Shanghai and Hong Kong Stock Markets (Cai Shui [2014] No. 81), which has been implemented since November 17, 2014:

- For the dividend income obtained by mainland individual investors from investment in H Shares of the Company through HK-Shanghai Stock Connect, the Company shall withhold the income tax as per the 20% tax rate. For the dividend income obtained by mainland securities investment funds from investment in H Shares of the Company through HK-Shanghai Stock Connect, the income tax shall be levied in accordance with the above provisions; and
- For the dividend income obtained by mainland enterprise investors from investment in H Shares of the Company through HK-Shanghai Stock Connect, the income tax on the mainland enterprises shall not be withheld by the Company, and the tax payable shall be declared and paid by the mainland enterprises.

In accordance with the Notification on Relevant Tax Policies for Pilot Operation of Transaction Interconnection Mechanism of Shenzhen and Hong Kong Stock Markets (Cai Shui [2016] No. 127) put into force on December 5, 2016:

- For the dividend income obtained by mainland individual investors from investment in H Shares of the Company through HK-Shenzhen Stock Connect, the Company shall withhold the income tax as per the 20% tax rate. For the dividend income obtained by mainland securities investment funds from investment in H Shares of the Company through HK-Shenzhen Stock Connect, the income tax shall be levied in accordance with the above provisions; and
- For the dividend income obtained by mainland enterprise investors from investment in H Shares of the Company through HK-Shenzhen Stock Connect, the income tax on the mainland enterprises shall not be withheld by the Company, and the tax payable shall be declared and paid by the mainland enterprises.

If the H Shareholders of the Company have any questions regarding the above arrangements, they may consult their tax advisers on the tax implications in Mainland China, Hong Kong and other countries (regions) from owning and disposing of the H Shares of the Company.

8. **Others**

- (1) For joint Shareholders, a vote by a preferred joint Shareholder, whether in person or by a proxy, is to be accepted as representing the remaining joint Shareholders if the joint Shareholders present in person or by proxy are more than one. In regard thereof, the priority of the Shareholders shall be determined by the rankings of the relevant joint Shareholders in the register of members of the Company in relation to the relevant Shares.
- (2) The duration of the AGM is expected not to exceed half a day. All Shareholders who attend the AGM shall arrange for their own transportation and accommodation at their own expenses.
- (3) 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).
- (4) The location of the Company's Board office is at No. 1508 Xinzha Road, Jing'an District, Shanghai, the PRC (Postcode: 200040, Telephone: (86) 21 2216 9914, Fax: (86) 21 2216 9964).

Ordinary Resolutions**1. To consider and approve the 2017 Report of the Board of Directors**

Pursuant to the provisions of the Company Law and the Articles of Association, considering and approving the 2017 Report of the Board of Directors is the authority of the general meeting of the Company. Rules of Shareholders' General Meeting of Listed Companies issued by the CSRC stipulate that the Board of Directors shall report to the Shareholders on its works over the past year at the AGM.

2017 Report of the Board of Directors of Everbright Securities Company Limited was considered and approved by the Board of Directors on March 26, 2018, and is hereby presented to the AGM for consideration and approval.

The details of the above 2017 Report of the Board of Directors are set out in Annex A of this circular.

2. To consider and approve the 2017 Report of the Supervisory Committee

Pursuant to the relevant regulations and the requirements in the Articles of Association, considering and approving the 2017 Report of the Supervisory Committee is the authority of the general meeting of the Company. Rules of Shareholders' General Meeting of Listed Companies issued by the CSRC stipulate that the Supervisory Committee shall report to the Shareholders on its works over the past year at the AGM.

2017 Report of the Supervisory Committee of Everbright Securities Company Limited was considered and approved by the Supervisory Committee on March 26, 2018, and is hereby presented to the AGM for consideration and approval.

The details of the above 2017 Report of the Supervisory Committee are set out in Annex B of this circular.

3. To consider and approve the 2017 Annual Report

The 2017 Annual Report was considered and approved by the Board of Directors on March 26, 2018, and is hereby presented to the AGM for consideration and approval. Please refer to the 2017 Annual Report, which was published on the HKExnews website of the Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the website of the Company (<http://www.ebscn.com>) on April 13, 2018.

4. To consider and approve the 2017 Profit Distribution Plan

Pursuant to the Proposed Profit Distribution of 2017 of Everbright Securities Company Limited considered and approved by the Board of Directors on March 26, 2018, the proposed profit distribution of the Company in the year of 2017 is as follow:

In the year of 2017, the Company recorded consolidated net profit attributed to the shareholders of the listed company of RMB3,016,470,221.54, and the net profit attributed to the parent company amounted to RMB2,718,888,492.26.

According to the relevant provisions of the Company Law, the Securities Law, the Financial Rules for Finance Enterprises and the Circular on the Works of the Annual Report 2007 of the Securities Company issued by the CSRC (Zhengjian Jigou No.[2007]320), the legal reserve, transaction risk reserve and general risk reserve should be appropriated from the net profit of the current year in the profit distribution, specifically:

1. Pursuant to Article 167 of the Company Law, 10% of the net profit should be transferred to legal reserve, being RMB271,888,849.23;
2. Pursuant to Article 135 of the Securities Law and relevant provisions in the document (Zhengjian Jigou No.[2007]320), 10% of the net profit should be transferred to transaction risk reserve, being RMB271,888,849.23;
3. Pursuant to Article 44 of the Financial Rules for Finance Enterprises and relevant provisions in the document (Zhengjian Jigou No.[2007]320), 10% of the net profit should be transferred to general risk reserve, being RMB271,888,849.23;

The total amount of the above is RMB815,666,547.69, and the profit available for distribution of the parent company of 2017 is RMB1,903,221,944.57.

From 2014 to 2016, the Company distributed cash dividends of RMB273,440,000.00, RMB2,344,019,303.40 and RMB922,157,527.80 respectively, accounting for 13%, 31%, and 31% of the net profits on a consolidated basis attributable to shareholders of the listed company respectively for those years, and accounting for 20%, 51%, and 46% of the parent company's profits available for distribution respectively for those years. Cumulative cash dividends of RMB3,539,616,831.20 were paid out from 2014 to 2016, which accounted for 44% of the accumulated profit of the parent company available for distribution.

Taking into account the interests of Shareholders and the long-term development of the Company, the proposed profit distribution of the Company in the year of 2017 is as follows: Based on the total capital of A Shares and H Shares of 4,610,787,639.00 shares as at December 31, 2017, the cash dividend of RMB2.00 (tax inclusive) for every 10 Shares, i.e. a total of RMB922,157,527.80, will be distributed to all A Shareholders and H Shareholders. Cash dividend is denominated and declared in RMB, and paid to A Shareholders in RMB and to H Shareholders in HKD. The actual distribution amount in HKD would be calculated at the rate of average benchmark exchange rate of RMB against HKD published by People's Bank of China for five business days prior to the 2017 AGM.

According to the proposed profit distribution, the total amount of cash dividends to be distributed by the Company accounts for 48.45% of the profit available for distribution of the parent company in the current year and 30.57% of consolidated net profit attributed to the Shareholders of the listed company, which complies with the requirements of the Guidelines for Dividends of Listed Companies and the Articles of Association.

The above proposed profit distribution of 2017 was considered and approved by the Board of Directors on March 26, 2018, and is hereby presented to the AGM for consideration and approval. If the final dividend of 2017 is approved by the Shareholders at the AGM, the Company's final dividend for the period ended December 31, 2017 will be paid in cash within two months from the date of the AGM. Meanwhile, it is also requested to authorize the Board of Directors and agree that the Board of Directors may authorize the management of the Company to handle the matters related to profit distribution accordingly in the AGM.

The Company will publish separate announcement on the record date and book closure period for the payment of the dividends in respect of its H Shares, and the record date and the date for the payment of the dividends in respect of its A Shares.

5. To consider and approve the Proposal of Expected Ordinary Related Party/Connected Transactions in 2018

It was considered and approved by the Board of Directors on March 26, 2018 and is hereby presented to the AGM for consideration and approval. Please refer to Annex C of this circular for the details of the above proposal.

6. To consider and approve the Proposal of Proprietary Trading Businesses Scale in 2018

Proprietary investment is one of the main businesses of the Company. According to the provisions of Article 7 of the CSRC's Provisions on Strengthening the Supervision of Listed Securities Companies (2010 Revision, CSRC Announcement [2010] No. 20), "if the significant external investment by a listed securities company, including the proprietary trading of securities, exceeds certain amount, it is required to be promptly disclosed and submitted to the general meeting for approval, and the listed company may submit it to the general meeting for consideration and approval and disclose the proprietary investment amount every year. If the situation changes in the process of proprietary investment, the general meeting may authorize the Board of Directors to vote and publish the announcement in accordance with the provisions of Articles of Association". The Company has made analysis of 2018 proprietary investment as follows, based on the 2017 proprietary investment business development and 2018 market trends:

1. The maximum investment scale for proprietary trading of non-equity securities and derivatives in 2018 is 240% of the net capital (the regulatory standard is not more than 500% of the net capital).

Investment scale measurement caliber is subject to regulatory standards; in case of changes to regulatory measurement standard, the measurement standard shall be adjusted in accordance with the latest regulatory standard. The investment portfolio that has effectively hedged risks is calculated at 1% of the total size of investment. The size of investment is the sum of the absolute values of long positions and the absolute values of short positions.

2. The maximum investment scale for proprietary trading of equity securities and derivatives in 2018 is 60% of the net capital (the regulatory standard is not more than 100% of the net capital).

Investment scale measurement caliber is subject to regulatory standards; in case of changes to regulatory measurement standard, the measurement standard shall be adjusted in accordance with the latest regulatory standard. The investment portfolio that has effectively hedged risks is calculated at 5% of the total size of investment. The size of investment is the sum of the absolute values of long positions and the absolute values of short positions.

3. In case of changes in the process of implementation of proprietary investment by the Company, the general meeting shall approve the authorization to the Board of Directors to adjust the proprietary amount and publish relevant announcement.

The above proposal has been considered and approved by the Board of Directors on March 26, 2018, and is hereby presented to the AGM for consideration and approval.

7. To consider and approve the Proposal of the Engagement of External Auditors in 2018

The Board of Directors adopted the following resolutions on appointment of the external auditor for 2018 at the Board meeting convened on March 26, 2018:

1. agreed to re-appoint Ernst & Young Hua Ming LLP (Special General Partnership) as the PRC external auditors of the Company for the year 2018 to provide relevant domestic audit services in accordance with PRC Accounting Standards for Business Enterprises.
2. agreed to re-appoint Ernst & Young as the overseas external auditors of the Company for the year 2018 to provide relevant overseas audit and review services in accordance with the International Financial Reporting Standards.
3. authorized the management of the Company to determine the audit fees based on the market principles and to enter into relevant contracts.

The above proposal has been considered and approved by the Board of Directors on March 26, 2018, and is hereby presented to the AGM for consideration and approval.

Special Resolutions

8. To consider and approve the Proposal of the General Mandate to Issue Overseas Debt Financing Instruments

Reference is made to the announcement published by the Company on March 26, 2018 regarding the Proposal of the General Mandate to Issue Overseas Debt Financing Instruments. The Board of Directors has considered and approved the proposal and agreed that the Company or the Company's overseas wholly-owned or controlled subsidiaries could issue the debt financing instruments of one type with a single term or of a hybrid-type with multiple terms, including commercial loans, bonds, subordinated bonds or structured notes.

The Proposal of the General Mandate to Issue Overseas Debt Financing Instruments was considered and approved by the Board of Directors on March 26, 2018, and is hereby presented to the AGM for consideration and approval.

Details of the Proposal of the General Mandate to Issue Overseas Debt Financing Instruments are set out in Annex D to this Circular.

9. To consider and approve the Proposal of Issuance of Asset-backed Securities

Reference is made to the announcement published by the Company on March 26, 2018 regarding the Proposal of Issuance of Asset-backed Securities. The Board of Directors has considered and approved the proposal, and agreed that the Company could raise funds through a vehicle of an asset-backed special project specifically established for carrying out the asset securitization business, or through a vehicle of other special purposes approved by the CSRC and other regulatory agencies to issue asset-backed securities.

The Proposal of Issuance of Asset-backed Securities was considered and approved by the Board of Directors on March 26, 2018, and is hereby presented to the AGM for consideration and approval.

Details of the Proposal of Issuance of Asset-backed Securities are set out in Annex E to this Circular.

**2017 Report of the Board of Directors
of
Everbright Securities Company Limited⁽¹⁾**

In the face of complicated and changing external environment in 2017, the Company adhered to the fundamental principle of “pursuing progress while ensuring stability”. Sticking to “customer-oriented” service culture, integrated operation and steady development, against the drop of revenue and profit across the industry, the Company recorded a revenue of RMB9.8 billion, representing a year-on-year increase of 7.35%, and an annual net profit of RMB3.1 billion, representing a year-on-year increase of 1.64%. Due to its prudent development and steady business performance, the Company has built up a good reputation in the market. It was recognized by Financial News and the Chinese Academy of Social Sciences as the “Securities Firm of the Year” for three consecutive years. The Company was awarded the “Top 500 Asia Brand” and the “Top 500 China Brand” for three years in a row. It was again listed by the renowned Hong Kong magazine Yazhou Zhoukan in its “Global Chinese Business 1000” with a record high ranking. It was named the “Most Trusted Listed Securities Firm for Investors”, representing the increasing brand awareness and market influence.

I. Supporting innovation-oriented development and efficiently carrying out key tasks

During the Reporting Period, the Board of Directors promoted the following key tasks in an orderly manner:

(I) Effectively strengthening the Party’s leadership and promoting the incorporation of the overall requirements of Party building into the Articles of Association

In order to further optimize corporate governance, uphold the Party’s leadership and give play to its political superiority, in accordance with the requirements of relevant policies of the central government, the 30th meeting of the fourth session of the Board of Directors considered and passed the Proposal on Amending the Articles of Association, pursuant to which the overall requirements of Party building shall be incorporated into the Articles of Association. The revised Articles of Association stipulate the basic orientation of the Party Committee of the Company in the General Provisions, emphasizing that necessary support shall be provided to fully protect the work of the Party Committee of the Company. A new chapter of “Party Committee” has been added to clarify the basic duties of the Party Committee. The revised Articles of Association also set out that the Board of Directors shall listen to the opinions given by the Party Committee before making a decision on the Company’s major issues. The incorporation of the overall requirements of Party building into the Articles of Association helps to promote the Party organization to become an integral part of the corporate governance structure, facilitates the combination of Party building with the Company’s strategic priorities and business difficulties, and effectively safeguards the Party organization’s political core role of providing guidance on and supervising implementation of various tasks, so as to improve corporate governance.

Note:

(1) The financial data in this report were prepared in accordance with the PRC Accounting Standards for Business Enterprises.

(II) Successfully completing election and change of session of the Board of Directors

The fourth session of the Board of Directors was elected by the second extraordinary general meeting of Shareholders in 2014, and began to perform duties on September 15, 2014. As such, an election and change of session of the Board of Directors should be carried out in 2017. In accordance with the relevant laws and regulations and the Articles of Association, candidates for directors and independent directors were nominated at the 31st meeting of the fourth session of the Board of Directors of the Company and were submitted to the general meeting for consideration and approval. The fifth session of the Board of Directors was officially formed and began to perform duties on October 17, 2017. At the 1st meeting of the fifth session of the Board of Directors of the Company, Mr. Xue Feng was elected as the chairman of the fifth session of the Board of Directors of the Company, and members of the special committees of the Board of Directors were also elected. At present, the fifth session of the Board of Directors of the Company consists of 11 directors, including 4 independent directors. The Board of Directors is a key connecting link in the corporate governance system and mechanism. The successful completion of the election and change of session of the Board of Directors of the Company is constructive to the stable development of the corporate governance system, helps to further optimize and improve the internal management of the Company, and gives full play to the important role of the Board of Directors in scientific decision-making for various major issues regarding the Company's operations and management.

(III) Optimizing the staffing of the management team

Based on the requirements of the Company's operation and management and in order to further enhance the operations and management of the Company, the Board of Directors of the Company appointed five senior management members during the Reporting Period, further optimizing the staffing of the management team. As approved by the 1st meeting of the fifth session of the Board of Directors, Mr. Zhou Jiannan was appointed as the executive president of the Company. As approved by the 26th meeting of the fourth session of the Board of Directors, Mr. Li Bingtao, Mr. Pan Jianyun and Ms. Dong Jie were appointed as the Business Line Directors of the Company, and Ms. Zhu Qin was appointed as the Secretary to the Board of Directors. The appointment of the five senior management members helps to further strengthen the management team of the Company and further enhances the management and governance capability of the management team.

(IV) Providing scientific guidance to various business lines of the Company

During the Reporting Period, the Board of Directors made a number of major decisions in an orderly and scientific manner to continuously promote the overall development and reform of the Company. In 2017, as China's economy entered a new era, a new direction was established for financial work and new changes have taken place in the capital market. Therefore, new requirements were imposed by industry regulators. Faced with the complex and ever-changing external environment and following the strong

leadership of the Board of Directors, the Company adhered to the development concepts of “making up weaknesses, breaking bottlenecks, promoting advantages and solidifying foundations”, stayed committed to the development of investment banking business, and steadily promoted integrated management. The Company also considered and passed a number of proposals designed to adjust its organizational structure, establish new branches and business offices and strengthen risk control and compliance management, which helped to achieve relatively stable performance against the backdrop of a general decline in revenue and profit in the industry. As a result, the Company’s brand recognition and market influence continued to improve.

(V) Generally leading the launch of “three initiatives”

According to the unified arrangements of the Everbright Group, the Company fully implemented the three initiatives of “making suggestions, benchmarking with peers and promoting strategic optimization” during the Reporting Period. Under the leadership of the Board of Directors, the Company’s management proactively formulated plans and successively visited the regulatory authorities, financial peers and key client organizations. On the basis of multi-dimensional comparative analysis, the Company formulated a number of valuable research reports on the Company’s strategic direction and other major issues. With extensive participation across the Company, various valuable feedbacks from all levels of the Company have been promptly received in respect of the three initiatives. The launch of the three initiatives fully enhanced the awareness of all staff of Everbright Securities in their respective responsibility of and their confidence in Everbright Securities, enabling the Company to identify its historical position and industry positioning, clearly establish its catch-up objectives and development strategy, provide support for Everbright Group’s strategy, thus laying an important foundation for its high-quality development.

II. Facilitating the Company’s business development and improving the operating performance of its subsidiaries

Under the effective leadership of the Board and upholding the fundamental principle of “pursuing progress amid stability” and the planning requirements of “eliminating the weaknesses, overcoming the obstacles, playing to the strengths and consolidating the foundation”, the Company kept seeking the opportunities of making “progress” while ensuring “stability” in 2017. Adhering to the customer-centred service philosophy, the Company managed to obtain quality customers and assets, grasp trading and investment opportunities, optimize market-based systems and mechanisms dynamically and boost the management efficiency, thus generating on-going organic growth momentum for facilitating transformations and breakthroughs and significantly enhancing its comprehensive strengths in financial services.

1. Brokerage and wealth management

The brokerage and wealth management business segment comprises securities brokerage business, wealth management business and futures brokerage business. In 2017, this business segment realized revenue of RMB2.5 billion, accounting for 25% of the Group’s total revenue.

(1) Securities and brokerage business

In 2017, facing the pressure from market competition, the Company focused on consolidating its primary businesses based on the offline and online platforms, and continued to deepen the reform on branches, strengthen the customer service system and roll out its retail network at full steam. Leveraging its advantages in offline linkage and taking branches as the service platform, the Company put an emphasis on the development of channels such as banks and other institutions and strived to attract new customers and introduce new assets. As at the end of 2017, the Company had 13 branch companies and 222 securities branches, 19 of which were newly established. In 2017, the market share of net income from the securities and futures trading on behalf of the clients reached 2.36%, representing an increase of 0.02 percentage point as compared to the previous year. In this regard, the Company was ranked No. 13 in the industry, climbing a place higher from the previous year. The sales of proxy sale of financial products increased by 52% as compared to the previous year. The number of the newly opened accounts increased by 168% as compared to the previous year. The market share of the aggregate stock and fund trading volume was 2.37%, ranking the Company No. 13 in the market. The market share of the stock trading was 2.45%, ranking the Company No. 11 in the market.

(2) Wealth management business

In 2017, centering on the two core objectives, namely “providing strong support for the business development of branches” and “striving to establish a customer-oriented product and service system”, the wealth management business of the Company established a comprehensive product and service supporting system and spared no effort to form a wealth management model of “by means of quantitative and taking major categories of assets allocation as the core”. In particular, the Company provided advices on investment portfolio for customers using quantitative, organized activities such as investment seminars and elite training camps for high-net-worth customers through Everbright Fortune Club (富尊會俱樂部). The Company also provided a comprehensive package of services for wealth management customers through the family office and continued to explore in the customization needs of ultra high-net-worth customers in respect of products.

(3) Futures brokerage business

In 2017, the futures business of the Company accelerated its transformation development on top of consolidating the traditional brokerage business and exerted efforts into the exploration of innovative business such as stock options, white sugar market making and crude oil futures, achieving steady business performance as a whole. In 2017, Everbright Futures recorded a daily average margin of RMB8.699 billion, with its trading volume representing a market share of 2.26%. As at the end of 2017, the trading volume of Everbright Futures represented 1.06%, 3.36%, 3.11% and 3.61% of the total trading volume of Shanghai Futures Exchange, Dalian

Commodity Exchange, Zhengzhou Commodity Exchange and China Financial Futures Exchange, respectively. The accumulated trading volume of stock options for the year accounted for a market share of 6.30%, ranking No. 1 among futures companies and 3rd in the whole market. In 2017, Everbright Futures was awarded grade “AA”, the highest regulatory rating in the industry, for the fourth consecutive year, and was once again selected as “China Best Futures Company”.

2. Credit business

The credit business segment comprises margin financing and securities lending, collateralized stock repurchase transactions and financial leasing. In 2017, this business segment realized revenue of RMB1.9 billion, accounting for 19% of the Group’s total revenue.

(1) Margin financing and securities lending

In 2017, the Company strived to maintain its market share of margin financing and securities lending business while ensuring business quality. By strengthening business coordination, supporting branches and focusing on high-net-worth customer, the Company further optimized the customer structure of margin financing and securities lending business. Its securities lending business maintained a leading position in the industry. As at the end of 2017, the balance of margin financing and securities lending of the Company was RMB30.082 billion, representing a decrease of 1.03% as compared to the previous year, accounting for a market share of 2.93% and ranking the Company No. 11 in the market. The balance of securities lending was RMB0.562 billion, representing a market share of 12.48% and ranking the Company No. 3 in the market.

(2) Collateralized stock repurchase transactions

In 2017, the Company put further efforts into developing the collateralized stock repurchase business by focusing on the substantial shareholders and controlling shareholders of premium listed companies, further optimizing the structure of the collateralized stock repurchase business and enlarging the percentage of linkage of self-owned funds, thereby achieving sustained growth in business size and market share and successive rises in market ranking. As at the end of 2017, the balance of collateralized stock repurchase transactions of the Company was RMB44.250 billion, representing an increase of 44.32% as compared to the previous year. In this regard, the market share was 2.72%, representing an increase of 13.81% as compared to the previous year and ranking the Company No. 13 in the industry, 2 places higher from last year, thus enabling the ranking to rise for the third consecutive year. The weighted average collateral ratio of the collateralized stock repurchase projects of the Company was 231.01%.

(3) *Financing leasing business*

In 2017, Everbright Leasing responded positively and adapted to the challenges of market demand downturn and rising operating risks in a proactive manner. While maintaining the steady growth in the traditional financial leasing business, Everbright Leasing persisted in professional operation, and actively explored innovative businesses and practiced the integration of industry and finance. The financing channels diversified gradually. The layout of “One Body, Two Wings” of financial leasing, asset management and industrial investment consultancy services had been preliminarily shaped to obtain first-mover advantage in the field of navigation. In 2017, Everbright Leasing completed investment in a total of 24 new projects with annual investment amount of RMB3.7 billion. Everbright Leasing cumulatively completed investments with a total investment amount of RMB8.9 billion and cumulatively generated rent of RMB3.684 billion.

3. Institutional securities services

The institutional securities business segment comprises investment banking, sales and trading, private placement business, investment research and proprietary trading businesses. In 2017, the institutional securities services segment realized revenue of RMB2.3 billion, accounting for 23% of the Group’s total revenue.

(1) *Investment banking*

In 2017, the Company took the initiative to adapt itself to changes in the investment banking business in light of market changes. It strategically adhered to the reform of “Investment Bank+” and strategically adjusted the business focus in a timely manner to promote steady development of the business. The Company was ranked eighth in the industry in terms of the size of the equity and bond underwritten as a lead underwriter, up by two places. The investment banking division of the Company achieved breakthroughs in strategic customers and key projects, with internal and external resources such as direct investment, funds and loans, the Company provided capital operation for the entire industrial chain and continued to deepen its cooperation with strategic customers.

In 2017, the Company completed securities underwriting for 18 companies with a market share of 1.56% and was ranked No. 18 in the market. The underwriting amount of equities amounted to RMB15.236 billion with a market share of 0.93%, ranking No. 25 in the market, among which the Company completed IPO underwriting for 6 companies, with a market share of 1.33%, ranking No. 19 in the market, up by 9 places over last year. The Company completed mergers and acquisitions and reorganization transactions for 4 companies, ranking No. 13 in the market. The Company increased its equity financing project pipelines. As at the end of 2017, the Company had 21 projects pending for approval, 13 of which were IPO projects. The Company ranked No. 11 in the industry in terms of the number of IPO pending for approval.

Faced with the drastic decline in the bond underwriting market, the Company proactively adjusted its business focus, the size and ranking of bond underwriting improved against the unfavorable trend. In 2017, the Company completed a total of 313 bond underwriting projects with an underwriting amount of RMB200.243 billion, representing year-on-year growth of 16.49% and a market share of 4.43%. The Company was ranked No. 7 and No. 8 respectively in the industry in terms of bond underwriting amount and the number of companies underwritten. In the meantime, the Company continued to increase its development efforts into innovative businesses and completed asset-backed securitization projects of RMB39.035 billion, with which the Company's ranking leaped by six places to the ninth in the industry. The Company completed the first asset-backed securitization project of new energy tariff surcharge subsidies in China, the issuance of first batch of medium-term notes in support of the "Belt and Road" Initiative, the primary listing of the Company's first green Panda Bonds in Singapore, the first issue of exchangeable bonds and other projects. Its innovative financing capability was well recognized by the market. The Company won two awards, namely "Outstanding Underwriter of Corporate Bonds" and "Excellent Trust Manager" given by the SSE for 2017, and was one of the three securities companies receiving both awards.

In view of the complicated market circumstances, the Company focused on NEEQ-based business and full industrial chain development business and strengthened coordination among NEEQ businesses. At the same time, the Company attached great importance to risk control and compliance management of projects and adopted multi-pronged measures to improve NEEQ risk control system and process mechanism, while actively conforming to the stratification and transaction system reforms by implementing various preparatory works.

As of the end of 2017, as a chief agency broker, the Company recommended 255 companies to be quoted on NEEQ, ranking the Company No. 14 in the industry in terms of the total number of recommendations. In 2017, 44 companies were newly recommended to be quoted on NEEQ by the Company, ranking the Company No. 15 in the industry in terms of companies newly quoted. In 2017, the financing amount for the issuance of shares on NEEQ reached RMB3.266 billion, ranking No. 12 in the industry in terms of financing amount raised. As of the end of 2017, the Company provided market-making quotation services for 139 listed companies, among which 83 companies were in the innovation level.

(2) Sales and trading

In 2017, the Company leveraged serving three types of entities, namely mutual funds, financial industry clients and overseas clients, and proactively enhanced its ability to capture and serve our clients to expand its institutional client base. The market share of trading volume from mutual funds increased steadily. The Company fully integrated internal resources, and strengthened the synergies among various business lines to broaden the service coverage, deepen service offerings by adopting

various services and sales techniques in a comprehensive manner while actively exploring innovative businesses. In 2017, the market share of net income from seat commission increased to 3.73% from 3.32% of the previous year. The market share of trading volume of institutional business increased to 3.18% from 3.05% of the previous year.

(3) *Private placement business*

In 2017, the Company completed organizational structure adjustment and resource integration in respect of private placement business lines, and established a one-stop service system for private placement, offering private equity managers services such as incubation of small and micro private placements, capital introduction, performance evaluation, investment research, trading system, fund raising and sales, credit transaction, product design and operation outsourcing. As of the end of 2017, the Company introduced a total of 1,424 PB products, representing an increase of 85.66% as compared to the previous year; the cumulative introduction of PB products filed for approval reached RMB203.663 billion, representing an increase of 82.70% as compared to the previous year. As at the end of 2017, there were 1,105 existing PB products, representing an increase of 66.67% as compared to the previous year, the size of existing PB products amounted to RMB152.433 billion, representing an increase of 68.10% as compared to the previous year.

(4) *Investment research business*

In 2017, the Company adhered to the principle of objectivity, independence and professionalism, and continuously expanded its research coverage by introducing a number of influential teams in the market and analysts with strong industrial background, to actively facilitate research for brand building, so as to provide customers both at home and abroad with prospective, systematic investment research services and ramp up research support to various business lines of the Company. In 2017, the Company obtained the first place of “Best Overseas Market Research Team” and the second place of “Best Textile & Clothing Research Team” as elected by New Fortune, as well as the award of “Industry Model on the 15th Anniversary of New Fortune”.

(5) *Securities proprietary trading business*

In 2017, the Company made equity investments in adherence to the principle of “stock selection in a bottom-up approach”. The Company persisted in having major long positions in competitive market leaders selected from the industries which represented major trends and direction of future social development including healthcare, big consumption, artificial intelligence and insurance. For fixed-income investments, the Company optimized its portfolio of quality corporate bonds with mid-to-high ratings while keeping its credit risks in check. As a primary market maker of 50ETF options, the Company maintained satisfying market-making

capacity and profitability with its daily volume approximating 10% of that of the whole market, and was rated Grade AA in the annual rating. 2017 was a milestone year for our OTC option business. Since it was officially launched in the second half of 2017, the OTC stock option business rapidly grew in scale and income, and led to the completion of entering into a number of SAC master agreements and supplementary agreements. For structured notes, the Company innovatively launched the issue of over RMB10 billion floating structured notes linked to futures contracts of agricultural products such as white sugar and soybean meal. For the precious metal market, the Company expanded the gold portfolio trading business and obtained certification for conducting interbank gold price inquiry business. For bulk commodities, the Company focused on the OTC option business involving, among others, precious metal, agricultural products, energy and chemical products.

4. Investment management business

The investment management business includes the asset management business, fund management business, private equity investment business and alternative investment business. In 2017, the segment realized revenue of RMB1.9 billion, accounting for 20% of the Group's total revenue.

(1) Asset management business

In 2017, Everbright Asset Management proactively reverted to the origin of asset management, continued to improve its investment research system, built a comprehensive and efficient investment and financing team and improved its proactive management capacity, with its proactive AUM ranked among the top of the industry. The Company adhered to the development strategy of “being client-oriented” and strove to diversify its offerings and investment strategies, aiming to provide customized integrated services to clients. As at the end of 2017, the AUM of Everbright Asset Management amounted to RMB274.4 billion, representing an increase of RMB4.8 billion, or 1.78%, as compared to the end of 2016, including AUM of collective wealth management, targeted asset management and specific asset management at RMB71.6 billion, RMB195.6 billion and RMB7.2 billion, respectively. As at the end of 2017, the AUM of active management accounted for 42%. In 2017, Everbright Asset Management completed 4 asset securitization projects as manager with an aggregate principal amount of RMB5.8 billion.

(2) Funds management business

Everbright Pramerica continued to elevate its core competitiveness and explored a path of development in line with market tendencies and actual situation of the Company, while maintaining the investors' benefit as its top priority, and the preservation and increase of value of the clients' assets as the foundation for the Company's development. In 2017, Everbright Pramerica increased its sales efforts,

strengthened risk control and recorded simultaneous increases in the Company's profit, scale and rank, through constant optimization of its investment research. As at the end of 2017, the AUM of Everbright Pramerica (mutual and designated both inclusive) amounted to RMB107.84 billion, representing an increase of 37.59% from the beginning of the year, of which the AUM of mutual funds was RMB74.742 billion, representing a year-on-year increase of 36.32% and accounting for 0.65% of the market share, ranking No. 30 without accounting for money market funds, an increase of 7 places as compared with the ranking as at the end of 2016.

(3) *Private equity investment business*

In 2017, Everbright Capital prudently conducted self-correction in compliance with the regulatory requirements, the plans of which were approved by regulatory authorities as at the end of 2017; on the other hand, it made proper arrangements for project exit, post-investment management and reserving of quality projects. It also actively positioned the industry M&A funds, and committed to extensive and multi-directional cooperation with government-led funds, large-scale listed companies and financial institutions. As at the end of 2017, Everbright Capital had 20 fund management subsidiaries and 41 fund products under management.

5. Overseas business

In 2017, the segment realized revenue of RMB900 million, accounting for 10% of the Group's total revenue.

In 2017, the Company leveraged the respective advantages in Mainland and Hong Kong markets, enhanced the synergy in resource integration, adhered to cross-border integrated development and comprehensively elevated its integrated financial services by focusing on its four primary businesses, namely brokerage and wealth management, investment banking, asset management, and investment management. For the traditional brokerage business, the Company consolidated its client base, increased market share and, on account of its high quality services, was awarded the Best Broker in Hong Kong in the highly competitive market. As at the end of 2017, total assets of clients amounted to HK\$134.3 billion, representing a year-on-year increase of 9%; average daily turnover was HK\$815 million; while the number of clients was 132,000, representing a year-on-year increase of 4%. The investment banking business progressed at a steady pace, with completed IPO financing of the year amounting to HK\$22.6 billion. The Company completed three compliance and investment advisory projects, twelve U.S.-dollar bonds issuance and underwriting projects, six placing projects and one convertible bond project. Focusing on institutional clients, the asset management business further optimized its client structure and steadily expanded the business scope, with the AUM of the 23 products under the segment amounting to HK\$3.38 billion. The investment management business responded to the national strategies by advancing cross-border collaboration and establishing the "One Belt One Road" Fund. It made successful investments in major overseas projects such as HyalRoute Communication (海容通信), continuing to enhance

its overseas brand influence. During the Reporting Period, the Company commenced using “Everbright Sun Hung Kai” as the brand for its operation in Hong Kong. The Company completed the acquisition of North Square Blue Oak Limited (NSBO), a U.K.-based brokerage and research firm, marking the Group’s debut at the European market and making an important step towards extending overseas layout, expanding international sales and trading networks and enlarging global client base.

6. Other businesses

Other businesses mainly include internet finance business and PPP business.

(1) *Internet finance business*

In 2017, focusing on user experience and taking financial technology as a tool with intelligent and data-based operation support, the Company aimed to establish a platform-oriented, situation sensitive, socialized and ecological comprehensive Internet service platform to continuously promote polymerization benefits of “Fintech” to build a financial business services system for future. The Company’s robo-advisor management system “Robo-advisor Matrix (智投魔方)” was launched in early September. The product makes use of big data technology to provide personalized service to retail customers. The number of users of the product has risen rapidly. By the end of 2017, the number of users in the financial community has exceeded 400,000 persons. In 2017, “Lima Wealth Management (立馬理財)”, a platform developed by the Company’s subsidiary Everbright Easecreate recorded a transaction amount of RMB14.256 billion, representing an increase of 53% as compared to the previous year. The cumulative financial product transactions completed on the platform amounted to RMB24.335 billion. The total number of users on the platform reached 3.5227 million, representing an increase of 155% from the beginning of the year.

(2) *PPP business*

On June 12, 2017, Everbright Development Investment Co., Ltd., the first professional company dedicating in government and social capital cooperation related field in the industry, was formally established. The Company aims to becoming a platform integrating social capital, operating with proprietary capital and richly cultivating regional economic development. In spite of the further tightening of policies and stringent market, Everbright Development persisted in having two strings to one’s bow and took the public-private cooperation and urban renewal as a powerful tool to promote the development of businesses related to government and social capital cooperation. In 2017, the Company exerted its industry’s first-mover advantage and deepened the development of government and social capital cooperation projects. Everbright Honghe Water Fund, Everbright Shantou BYD Cloud Investment Fund landed in Yunnan and Guangdong smoothly. Shaanxi Railway Construction Fund was advanced for smooth landing with the injection of the first installment. Meanwhile, a number of urban renewal projects were in reserve and were actively promoted for implementation.

III. Strengthening compliance and risk control to optimize the comprehensive risk management system

(I) Strengthening internal control to ensure long-term stable development

Strengthening internal control of the Company is of great significance to enhancing the Company's self-restraint capability, promoting the construction of the Company's modern enterprise system and preventing and minimizing financial risks. The Company has always attached importance to the construction of the internal control system. According to the provisions of the standardized enterprise internal control system, the Company has established a sound and effective internal control mechanism, and has always carried on internal control in the course of the Company's operation and development. During the Reporting Period, the Company had maintained effective internal control of financial reporting and non-financial reporting in all material respects in accordance with the requirements of the internal control system and relevant regulations. Ernst & Young Hua Ming LLP (Special General Partnership) had also been engaged by the Company to conduct an independent audit of the effectiveness of the internal control of financial reporting, and issued an unqualified internal control audit report to ensure that the Company had maintained effective internal control of financial reporting on all significant aspects in accordance with the Basic Rules for Corporate Internal Control and the relevant provisions as at December 31, 2017.

(II) Adhering to compliant operation and enhancing compliance management

On June 6, 2017, the CSRC officially issued the Administrative Measures for Compliance of Securities Firms and Securities Investment Fund Management Companies (《證券公司和證券投資基金管理公司合規管理辦法》) (the "Measures"), marking that the compliance management of securities companies has entered a completely new stage. During the Reporting Period, the Company adhered to compliant operation and endeavoured to enhance compliance management. The 1st meeting of the fifth session of the Board of Directors listened to the Company's work plan on the implementation of the Measures, and urged to guide the Company in its efforts to comprehensively implement various requirements of the Measures from the aspects of deepening the compliance management concept and cultural construction at all levels and establishing a multi-level compliance management responsibility system. The proposal on amending the Articles of Association was considered and passed to establish and improve relevant requirements, such as the requirement for the Board of Directors to assume the ultimate responsibility for the effectiveness of the Company's compliance management, the requirement for the Supervisory Committee to assume supervisory responsibility, and the requirement for the management to assume the main responsibility for the compliant operation across the Company. In recognition of its generally stable compliance status, the Company received Class A in Grade A rating in the classification regulation rating of securities companies in 2017.

(III) Improving risk control to promote sustainable development

The Company fully recognized the importance of risk management and attached great importance to risk control. On December 30, 2016, the Securities Association of China revised and issued a series of self-regulatory rules including the Provisions on the Comprehensive Risk Management of Securities Companies, clarifying the corresponding detailed requirements for the securities companies in implementing the comprehensive risk management system and stipulating the requirement for securities companies to carry out relevant rectification measures within the six-month transition period. During the Reporting Period, the 28th meeting of the fourth session of the Board of Directors considered and approved the proposal on implementing the work plan for comprehensive risk management. Strictly following the comprehensive risk management of securities companies in accordance with the latest regulatory requirements and under the leadership of the Board of Directors, the Company organized all relevant units to carry out self-inspection and improvement work by studying the new requirements, and fully passed the on-site inspection by the inspection team of the Shanghai Securities Regulatory Bureau on the Company's implementation of the comprehensive risk management practice.

IV. Improving the corporate governance mechanism to enhance the quality of daily operation of the Board of Directors**(I) Convening general meetings and implementing the proposals and the profit distribution**

In accordance with the laws and regulations and the Articles of Association, the Board of Directors of the Company has conscientiously discharged the duties to convene the general meetings, strictly implemented the proposals and actively carried out the cash dividend policy. During the Reporting Period, one annual general meeting and five extraordinary general meetings were convened, at which several proposals had been considered and approved. The proposals approved by the general meetings had been strictly implemented and related works had been steadily carried out in according to the requirements of the general meetings. Being committed to growing and developing, the Company continuously implements the steady profit distribution policy, taking into account both the Company's long-term interests and the overall interests of all Shareholders.

(II) The discharging of duties and training of the Board of Directors and the Board committees

In accordance with the relevant provisions of the Articles of Association and the rules of procedure of the committees, the Board committees have conscientiously discharged their duties and given full play to their professional advantages to strongly support the decision-making of the Board of Directors. During the Reporting Period, the Board of Directors held eight meetings, including four on-site meetings, three meetings

by communication and one meeting held both on-site and by communication, to consider more than 50 proposals and fully played the role of standardized and efficient consideration and scientific decision-making in major events of the Company. The Board committees had convened nine meetings, including two meetings of the Remuneration, Nomination and Credentials Committee, five meetings of the Audit Committee, and two meetings of the Risk Management Committee.

During the Reporting Period, the Directors attended the special training program on the Responsibilities and Obligations of Directors and Supervisors of Listed Companies in Hong Kong and General Compliance Issues of Listed Companies in Hong Kong organized by Latham & Watkins, the Company's overseas legal counsel, and the Training for Directors and Supervisors of Listed Companies organized by King & Wood Mallesons Beijing Office, the Company's domestic legal counsel, thereby further enhancing the Directors' ability to perform their duties.

(III) Remuneration of Directors and senior management

The remuneration of the Independent Directors of the Company is determined by the general meeting in the light of the average level adopted by the listed companies in the same industry and the actual situation of the Company. Except for the Executive Directors, other Directors have not been paid by the Company. The Remuneration, Nomination and Credentials Committee of the Board of Directors has been authorized to evaluate the annual performance of the senior management, whose compensation has been formulated by the Board of Directors, and determine the remuneration, rewards and punishment accordingly. According to the relevant requirements of the Code of Corporate Governance of Securities Companies, over 40% of annual remuneration of the senior management of securities companies should be paid in deferred payment with a term of not fewer than three years. The Company has not implemented non-cash compensation program, such as equity or options, etc.

(IV) Particulars of information disclosure and investor relationship management

The Board of Directors attaches great importance to information disclosure and urges the Company to disclose information completely and normatively to ensure the authenticity, accuracy and completeness. During the Reporting Period, the Company prepared and released several regular reports, including the 2016 Annual Report, quarterly reports for the first and third quarters in 2017 and the interim report of 2017, and 69 extraordinary reports and 12 monthly financial reports. The standardized and professional information disclosure of the Company was highly recognized by the Shanghai Stock Exchange, and the Company obtained class A evaluation in the annual information disclosure of listed companies. The Company also attaches great importance to investor relationship management. During the Reporting Period, the Company received 25 on-site researches from industry researchers and investors, and rolled out a number of on-site road shows at home and abroad. The Company also positively interacts with investors by responding to investors about issues of common concern through e-interactive platform of the SSE, telephone and e-mail.

V. Discharging of duties by the Directors in the year of 2017

All Directors of the Company possess professional quality in corporate strategy, operation and management, financing, accounting, laws, human resources and risk control, etc., and strictly abide by various laws and regulations including the Listing Rules of the Shanghai Stock Exchange, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Articles of Association to discharge their statutory duties honestly and diligently in accordance with the laws and regulations. During the Reporting Period, all the Directors had attended the meetings of the Board of Directors and the meetings of the Board committees in accordance with the regulations, fully considered and seriously voted on the matters within responsibilities of the Board of Directors, and effectively safeguarded the legitimate rights and interests of the Company and all Shareholders. During the Reporting Period, the Directors of the Company discharged their duties as follows:

Table 1: Discharging of duties by the current Directors

Name of the Director	Independent Director or not	Attendance at the meetings of the Board of Directors					Not attendance in person for two consecutive times
		Meetings that should attend during the year (times)	Attendance in person (times)	Attendance by Communication (times)	Attendance by proxy (times)	Absence (times)	
Gao Yunlong	No	8	6	4	2	0	No
Ge Haijiao	No	6	6	2	0	0	No
Xue Feng	No	8	8	3	0	0	No
Ju Hao	No	2	2	1	0	0	No
Yin Lianchen	No	8	7	5	1	0	No
Chan Ming							
Kin	No	8	8	5	0	0	No
Xue Keqing	No	1	1	1	0	0	No
Xu Jingchang	Yes	8	7	3	1	0	No
Xiong Yan	Yes	8	8	4	0	0	No
Li Zheping	Yes	8	7	3	1	0	No
Au Sing Kun	Yes	8	8	5	0	0	No

**2017 Report of the Supervisory Committee
of
Everbright Securities Company Limited**

In 2017, the Supervisory Committee strictly abided by the relevant laws and regulations such as the Company Law, the Securities Law, the Articles of Association, the Rules of Procedures for the Supervisory Committee, etc., fulfilled their duties carefully and diligently, supervised the Company's legal and compliant operation, financial condition, the performance of duties by the Board of Directors and the management of the Company, and completed the various routine and key works of the Supervisory Committee in 2017, promoting the Company's standardized and healthy development, and effectively safeguarding the legitimate rights and interests of the Company, all Shareholders and employees.

I. Main work of the Supervisory Committee in 2017

1. Completing election and change of session of the fifth session of the Supervisory Committee and its special committees in an efficient and orderly manner

The fourth session of the Supervisory Committee and its members were elected by the second extraordinary general meeting of Shareholders in 2014 held on September 15, 2014, and its term of office ended on September 15, 2017.

In accordance with the relevant laws and regulations and the Articles of Association, by going through a series of legal procedures including nomination of candidates for Supervisors, election by the Supervisory Committee, voting at the general meeting, qualification approval and public disclosure of relevant information, the Supervisory Committee of the Company completed the election and change of session of the fifth session of the Supervisory Committee, the election of chairman of the Supervisory Committee and the establishment of special committees of the Supervisory Committee in an efficient and orderly manner.

2. Convening meetings of the Supervisory Committee in accordance with law and earnestly performing the duties of the Supervisory Committee

During the Reporting Period, the Supervisory Committee held a total of five meetings including three on-site meetings and two meetings via communication.

The Supervisors carefully reviewed the meeting materials and fully studied and discussed the proposals before attending the meetings of the Supervisory Committee. The Supervisors failing to attend on site obtained detailed understanding and made in-depth analysis of meeting materials and proposal background, and authorized other Supervisors to exercise their rights of voting and fulfill the duty of Supervisors. During the Reporting Period, the current Supervisors of the Company discharged their duties as follows:

Table 1: Discharging of duties by the current Supervisors

Name	Number of Supervisory Meetings Attendance				
	that should attend	in person (times)	Attendance by Communication (times)	Attendance by proxy (times)	Absence (times)
Liu Jiping	5	5	2	0	0
Zhang Jingcai	2	2	1	0	0
Wang Hongyang	3	3	2	0	0
Zhu Wuxiang	5	5	2	0	0
Zhang Limin	5	3	3	2	0
Wang Wenyi	5	5	3	0	0
Huang Qin	5	5	3	0	0
Li Xianzhi	2	2	0	0	0

Note: Mr. Zhang Jingcai, Mr. Wang Hongyang and Mr. Li Xianzhi formally started assuming their roles as Supervisors of the fourth session of the Supervisory Committee since August 15, 2017, May 24, 2017 and July 7, 2017, respectively. During the Reporting Period, the re-election of the Supervisory Committee completed and all the Supervisors were successfully re-elected.

During the Reporting Period, the Supervisory Committee reviewed and listened to 24 proposals, including 19 voting proposals and 5 non-voting proposals, with details set out as follows:

Table 2: Meetings of the Supervisory Committee convened in 2017

Meeting and date	Proposal	Proposal voted or not	Resolution passed or not
14th meeting of the fourth session of the Supervisory Committee March 28, 2017	1. To hear the Company's 2016 operation report	No	/
	2. To consider and approve the proposal on the Company's 2016 annual report	Yes	Yes
	3. To consider and approve the proposal on the Supervisory Committee Work Report for 2016	Yes	Yes
	4. To consider and approve the Company's 2016 internal control evaluation report	Yes	Yes
	5. To review the Company's 2016 internal control audit report	Yes	Yes
	6. To consider and approve the proposal on the Company's 2016 compliance report	Yes	Yes
	7. To consider and approve the proposal on the Company's 2016 risk assessment report	Yes	Yes
	8. To hear the Company's 2016 work report on risk control	No	/
	9. To hear the Company's 2016 audit report	No	/
	10. To consider and approve the special report on the depositing and actual use of the Company's raised funds in 2016	Yes	Yes

Meeting and date	Proposal	Proposal voted or not	Resolution passed or not
	11. To consider and approve the proposal on the Company's 2016 social responsibility report	Yes	Yes
	12. To consider and approve the proposal on the nomination of Mr. Wang Hongyang as a candidate for the Supervisor of the Company	Yes	Yes
15th meeting of the fourth session of the Supervisory Committee April 28, 2017	1. To consider and approve the proposal on the Company's report for the first quarter in 2017	Yes	Yes
16th meeting of the fourth session of the Supervisory Committee June 26, 2017	1. To consider and approve the proposal on the nomination of Mr. Zhang Jingcai as a candidate for the Supervisor of the Company	Yes	Yes
17th meeting of the fourth session of the Supervisory Committee August 29, 2017	1. To hear the Company's operation report for the first seven months in 2017	No	/
	2. To consider and approve the proposal on the Company's 2017 interim report	Yes	Yes
	3. To consider and approve the proposal on the Company's 2017 interim compliance report	Yes	Yes
	4. To consider and approve the proposal on the interim regulatory report on risk control indicators for 2017	Yes	Yes
	5. To consider and approve the proposal on the election of the members of the fifth session of the Supervisory Committee of the Company	Yes	Yes

Meeting and date	Proposal	Proposal voted or not	Resolution passed or not
1st meeting of the fifth session of the Supervisory Committee October 28, 2017	1. To consider and approve the proposal on the election of Mr. Liu Jiping as chairman of the fifth session of the Supervisory Committee of the Company	Yes	Yes
	2. To consider and approve the proposal on the election of the members of the special committees of the fifth session of the Supervisory Committee of the Company	Yes	Yes
	3. To hear the Company's operation report for the first nine months in 2017	No	/
	4. To consider and approve the proposal on the Company's report for the third quarter in 2017	Yes	Yes
	5. To consider and approve the proposal on amendments to the Rules of Procedures for the Supervisory Committee	Yes	Yes

3. Attending the meetings of the Board of Directors and the general meetings, and performing the supervisory function in accordance with laws

During the Reporting Period, the members of the Supervisory Committee attended six general meetings and five meetings of the Board of Directors and the special committees under the Board of Directors, and supervised the meeting procedures and decision-making process in accordance with laws. The members of the Supervisory Committee carefully reviewed the relevant meeting documents and put forward opinions and suggestions on business development, compliance work, risk management, strategic planning, team building, institutional arrangements and management of subsidiaries.

During the Reporting Period, the Supervisory Committee supervised the performance of duties by the Board of Directors and Directors, supervised the attendance of meetings of Board of Directors, the special committees under the Board of Directors and the general meetings, expression of opinions and voting by Directors, and urged the Directors to perform their duties diligently.

4. Developing a full understanding of the Company and effectively implementing supervision

During the Reporting Period, the chairman of the Supervisory Committee participated in the president's office meeting, kept abreast of the major decision-making and financial and operating conditions of the Company, and implemented dynamic supervision. The Supervisors promptly understood the Company's three-meeting work, operation status, share price and Shareholder structure, information disclosure and investor relations, regulatory rules and industry dynamics through the monthly Supervisors' Newsletter and the daily Fast News (《新聞早知道》) issued by the Company, and effectively implemented supervision. The Supervisory Committee paid high attention to the implementation of the five-year (2014-2018) strategic development plan of the Company, fully understood the effectiveness of the strategy of each business segment, the reform measures and the progress of the reform, and put forward professional comments and suggestions on the realization of strategic objectives and the supervision of strategic implementation. At the same time, the Supervisory Committee further regulated the internal management by actively complying with the relevant requirements of the PRC and Hong Kong after the listing of the Company's H Shares, uplifted the banner of serving the real economy, and stayed committed to the development of investment banking business. Firmly adhering to the general tone of "seeking progress while maintaining stability", the Supervisory Committee tapped into resources for the Company's business expansion, and provided advice and recommendations on the synergized and coordinated development of the Company's business, thereby actively promoting the healthy development of the Company.

5. Focusing on the Company's financial and risk conditions to guard against relevant risks

During the Reporting Period, the Supervisory Committee attached great importance to the financial and auditing situation of the Company, obtained a detailed understanding of and reviewed the annual audit work of the external auditors and the audit results. The chairman of the Supervisory Committee was responsible for contacting the Company's internal audit department, regularly listening to the Company's internal audit work, carrying out all-round guidance on audit work, and putting forward relevant requirements and comments. During the Reporting Period, the Supervisory Committee listened to the report of the head of finance and accounting department every month, paid high attention to liquidity risk, listened to the reports of risk management department, audit department and legal compliance department from time to time, and paid attention to the Company's risk control situation. At the same time, the chairman of the Supervisory Committee reported on relevant situation to Supervisors at the meetings of the Supervisory Committee, promoting the further improvement of the Company's internal control functions and corporate governance and giving full play to the supervisory functions of the Supervisory Committee.

In addition, the Supervisory Committee held regular meetings to review the Company's annual compliance work report, risk assessment report and audit report, paid attention to key risk areas, evaluated relevant work and put forward suggestions for improvement. Prior to the implementation of the audit on the annual financial report by the accounting firm, the Supervisory Committee attended the meeting between the Audit Committee under Board of Directors and the accounting firm to supervise relevant work and make comments and suggestions.

6. Strengthening the Company's internal and external research work, and putting forward management recommendations

In order to further understand the Company's various businesses and provide constructive suggestions for the Company's decision-making, the Supervisory Committee actively strengthened its efforts in internal research and investigation. Throughout the year, the Supervisory Committee participated in the research and investigation of seven branches of the Company, including Beijing Branch, Shenyang Branch, Shandong Branch, Chongqing Branch, Chengdu Branch, Guangdong Branch and Dongguan Branch, as well as two subsidiaries of the Company, being Everbright Asset Management and ESIL, to develop an in-depth understanding of the progress of the Company's strategy and the relevant difficulties and problems, and put forward relevant management advice and recommendations. In the meantime, in order to clearly define the responsibilities of the compliance officers from all parties and to enhance measures to ensure the performance of duties against the backdrop of tightened regulation on the industry and the successive introduction of new regulations on compliance and risk control, in December 2017, the Supervisory Committee conducted special investigations and studies on risk management, compliance management and the management models adopted by the Company's subsidiaries, developed an in-depth understanding of the Company's implementation progress of the new regulations, the operation status of the risk control and compliance management system and the relevant particulars regarding the management of subsidiaries, and put forward its opinions and recommendations in respect of the Company's risk control system, regulatory rules, attraction of compliance personnel, risk identification capability and the synergy effect with its subsidiaries.

In addition, in order to further enhance its capability to perform duties, the Supervisory Committee actively participated in external research and exchanges organized by the Company. During the year, the Supervisory Committee visited more than ten companies and institutions, carried out in-depth discussions and exchanges on various issues including industry development, corporate governance practices, operation of the Supervisory Committee, duty performance of the Supervisors, improvement in internal control and risk prevention, and drew up relevant excellent experiences.

7. Strengthening business communication and training, and improving Supervisors' ability to perform duties

During the Reporting Period, three Supervisors of the Company participated in the training on performance of duties of the Supervisory Committee organized by Everbright Group. Through this systematic and specialized training program, they thoroughly studied practical and theoretical knowledge and effectively carried out the supervision work of the Supervisory Committee. In the meantime, in order to further enhance the Supervisors' capability to perform their duties, during the Reporting Period, two Supervisors of the Company participated in the training of directors and supervisors of listed companies organized by Shanghai Securities Regulatory Bureau and the Listed Companies Association of Shanghai, where the Supervisors studied and exchanged the latest regulatory concepts, thereby strengthening and enhancing the corporate governance norms of the Company.

II. Supervisory Committee's opinions on related matters in 2017

By attending the meetings of Board of Directors and the general meetings of Shareholders, as well as on-site researches of the Company, the Supervisory Committee listened to the Company's operation report and special reports, fully understood the Company's operations, financial status, risk management and business development conditions, focused on the operation of the Company by law, major decision-making and operation activities, and on the basis of this, issued the following opinions:

1. During the Reporting Period, the Company's financial condition was sound and the annual financial report for the year of 2017 was audited by the accounting firm Ernst & Young Hua Ming LLP, who issued a standard unqualified audit report. The Supervisory Committee believes that the financial report reflects the Company's financial situation and operating results accurately, objectively and completely.
2. During the Reporting Period, the Company operated strictly in accordance with the Company Law, the Securities Law, the Articles of Association and the relevant state regulations. The decision-making process was lawful and valid. No behavior which has violated laws and regulations and impaired the interests of the Company and its Shareholders by Directors or senior managements in performing their duties was found.
3. During the Reporting Period, in the context of tightened regulation on the industry and the successive introduction of new regulations on compliance and risk control, the Company adapted itself to the new environment by making adjustments internally, actively promoted implementation of the new regulations. As a result, the duties and responsibilities of the responsible officers were clarified, the risk management system was improved, and the implementing rules were optimized. The Company also established and improved the supervision and guidance system for subsidiaries, aiming to strengthen the management synergy effect with the

Company's subsidiaries. Firmly adhering to the general tone of "seeking progress while maintaining stability", the Company uplifted the banner of serving the real economy, and stayed committed to the development of investment banking business. In addition, the Company adhered to compliant operation, implemented full coverage of risk management, thus achieving progress in various tasks and steadily improving the Company's operating performance.

4. During the Reporting Period, the Company's related party transactions were carried out fairly in accordance with the law, without prejudice to the interests of the Company.
5. During the Reporting Period, the Company's related policies including Measures on the Administration of Information Disclosure Matters and Measures of Registration of Insiders were implemented effectively. Relevant information was disclosed actually, accurately, timely and comprehensively to safeguard the fairness of information disclosure and protect the legitimate rights and interests of investors.
6. During the Reporting Period, the Supervisory Committee of the Company supervised the implementation of the resolutions of the general meetings of Shareholders. The Supervisory Committee holds the opinion that the Board of Directors can earnestly carry out the relevant resolutions of the general meetings of Shareholders, without prejudice to the interests of Shareholders.
7. During the Reporting Period, the Supervisory Committee considered and approved the Company's 2016 annual report compiled by the Board of Directors, and was of the opinion that the preparation and audit procedures of 2016 annual report and summary by the Board of Directors were in accordance with laws, administrative regulations and CSRC provisions, and the contents of the report reflects the actual situation of the Company truly, accurately and comprehensively. During the Reporting Period, the Supervisory Committee considered and approved or heard the Company's 2016 Annual Internal Control Evaluation Report, 2016 Annual Internal Control Audit Report, 2016 Compliance Report, 2016 Risk Assessment Report, 2016 Audit Report and the Company's Special Report on the Depositing and Actual Use of the Proceeds in 2016, and has no objections towards these reports.

III. Special description of the remuneration and assessment of the Supervisory Committee

According to the relevant requirements of the Rules for Governance of Securities Companies, the Supervisory Committee hereby provides descriptions for the annual remuneration and assessment of the Supervisory Committee for the year 2017 as follows: in 2017, the Company held five meetings of the Supervisory Committee, and the Supervisors actively attended the meetings of the Supervisory Committee in accordance with the relevant provisions of the Articles of Association and Rules of Procedures for the Supervisory Committee, carefully reviewed the proposals, and performed the duties of Supervisory

Committee in accordance with laws; actively attended the meetings of Board of Directors and general meetings, and supervised the meeting procedures and decision-making process in accordance with the law; carried out special researches, comprehensively understood the Company's conditions, provided management recommendations, implemented effective supervision and maintained the interests of the Company and Shareholders.

Remuneration of external Supervisors of the Company is determined with reference to that of similar listed companies in the same industry and based on actual situation of the Company, and approved by the general meeting of Shareholders. Remuneration of internal Supervisors is determined in accordance with the remuneration system of the Company and is also linked to the position and performance. Other Supervisors of the Company have not received remuneration from the Company.

**The Expected Ordinary Related Party/Connected Transactions
of the Company in 2018**

Approved by the CSRC, the Company has been engaged in securities business, including the trading on securities and other financial products and brokerage services, whose counterparty and service object also include the related/connected parties of the Company. In order to perform well in the related party/connected transaction management and information disclosure, the Company has estimated the ordinary related party/connected transactions in the year of 2018 based on the needs of daily operation and business development of the Company and its subsidiaries (the “**Company**”), pursuant to relevant laws and regulations, the Listing Rules of the SSE, the Listing Rules and the relating regulations of related party/connected transactions of the Company.

I. Ordinary related party/connected transactions in the year of 2017

The 28th Meeting of the fourth session Board of Directors and the 2016 General Meeting of the Company reviewed and approved the proposal of Expected Ordinary Related Party/Connected Transactions of the Company in 2017. In 2017, the Company conducted business strictly within the scope of the ordinary related party/connected transactions determined in the proposal of Expected Ordinary Related Party/Connected Transactions of the Company in 2017.

Considered and approved by the 12th Meeting of the fourth session Board of Directors and the fifth Extraordinary General Meeting of the Company in 2015, the Company signed the Financial Products and Services Framework Agreement and the Property Leasing Framework Agreement with China Everbright Group Co., Ltd. (“**Everbright Group**”) to arrange the possible ordinary related party/connected transactions between the Company and Everbright Group and its subsidiaries and associates (the “**Members of Everbright Group**”) from the year of 2016 to 2018. In accordance with the relevant provisions of the Stock Exchange, the Company had disclosed the contents and yearly annual caps of above agreements in the prospectus when it was listed on the Stock Exchange in August 2016. In 2017, the Company conducted business strictly in the amount within the annual caps as disclosed in the prospectus of H Shares.

Details of the ordinary related party/connected transactions between the Company and the Members of Everbright Group in the year of 2017 are as follows:

(I) Property leasing

Nature of the transaction	Category of the transaction	Expected	Actual	Portions in the
		amount in 2017 (RMB10,000)	amount in 2017 (RMB10,000)	amount of similar transactions
Property leasing business	Rental income	600.00	331.26	23.20%
	Rental expense	4,000.00	1,673.99	4.43%

(II) Trading on securities and financial products

Nature of the transaction	Category of the transaction	Expected	Actual
		amount in 2017 (RMB100 million)	amount in 2017 (RMB100 million)
Trading on securities and financial products	Total cash inflows generated by the trading of securities and financial products	1,606	1,117.25
	Total cash outflows generated by the trading of securities and financial products	2,046	1,064

(III) Securities and financial services

Nature of the transaction	Category of the transaction	Expected	Actual	Portions in the
		amount in 2017 <i>(RMB10,000)</i>	amount in 2017 <i>(RMB10,000)</i>	amount of similar transactions
Securities and financial services income	Income: the Company offers securities and financial services to the Members of Everbright Group	79,240.00	32,041.26	2.70%
	Expense: the Members of Everbright Group offer securities and financial services to the Company	14,600.00	11,705.9	2.35%

In 2017, related natural persons received securities and financial services offered by the Company and subscribed for securities and financial products issued by the Company in accordance with laws and regulations and regulatory requirements. The relevant services and products were offered based on a unified standard and the pricing of relevant transactions was determined with reference to the market prices based on a reasonable and fair pricing standard. Transactions of securities and financial services between the Company and other related parties amounted to RMB225,500. Details of the transactions of securities and financial products are as follows:

No.	Related party	Category of the transaction	Expected amount in 2017 <i>(RMB100 million)</i>	Actual amount in 2017 <i>(RMB100 million)</i>
1	CSC Financial Co., Ltd.	Total cash inflows generated by the trading of securities and financial products		4.15
		Total cash outflows generated by the trading of securities and financial products		21.7
2	China Development Bank	Total cash inflows generated by the trading of securities and financial products	accounted at the actual generated amount due	2.18
		Total cash outflows generated by the trading of securities and financial products	to the uncertainties of the occurrence	1.3
3	China Development Bank Securities Co., Ltd.	Total cash inflows generated by the trading of securities and financial products	and the scale of the businesses	7.98
		Total cash outflows generated by the trading of securities and financial products		0.73
4	HFT Investment Management Co., Ltd.	Total cash inflows generated by the trading of securities and financial products	accounted at the actual generated amount due	0.6
		Total cash outflows generated by the trading of securities and financial products	to the uncertainties of the occurrence	0.27
5	Shenwan Hongyuan Securities Co., Ltd.	Total cash inflows generated by the trading of securities and financial products	and the scale of the businesses	24.26
		Total cash outflows generated by the trading of securities and financial products		10.14

No.	Related party	Category of the transaction	Expected amount in 2017 (RMB100 million)	Actual amount in 2017 (RMB100 million)
6	Bank of Suzhou Co., Ltd.	Total cash inflows generated by the trading of securities and financial products		4.1
		Total cash outflows generated by the trading of securities and financial products		–
7	China Orient Asset Management Corporation	Total cash inflows generated by the trading of securities and financial products		3.89
		Total cash outflows generated by the trading of securities and financial products		–

II. Expected ordinary related party/connected transactions in the year of 2018

Referring to the related party/connected transactions in recent years, the Company had estimated the ordinary related party/connected transactions in the year of 2018 based on the needs of business development in the year of 2018. The details are as follows:

(I) *Expected related party/connected transactions with the Members of Everbright Group*

1. *Property leasing*

Nature of the transaction	Category of the transaction	Expected amount (RMB10,000)
Property leasing business	Rental income	780
	Rental expense	5,200

2. *Trading of securities and financial products*

Nature of the transaction	Category of the transaction	Expected amount (RMB100 million)
Trading on securities and financial products	Total cash inflows generated by the trading of securities and financial products	1,927.5
	Total cash outflows generated by the trading of securities and financial products	2,457.5

3. *Securities and financial services*

Nature of the transaction	Category of the transaction	Expected amount (RMB10,000)
Securities and financial services	Income: the Company offers securities and financial services to the Members of Everbright Group	104,860
	Expense: the Members of Everbright Group offer securities and financial services to the Company	17,600

(II) *Expected related party/connected transactions with other related/connected parties*1. *Other related parties defined by the Listing Rules of the SSE*

Except for the Members of Everbright Group, according to the Listing Rules of the SSE, other related parties of the Company include: 1. related natural persons, including directors, supervisors and senior management of Everbright Group and the Company and their close family members; 2. enterprises directly or indirectly controlled or whose directors or senior management have been occupied by the above related natural persons, except for Everbright Group and its affiliated enterprises as well as the Company and its holding subsidiaries; 3. legal persons, other organizations or natural persons who have been in one of the above

circumstances in the past 12 months; and 4. legal persons, other organizations or natural persons who will be in one of the above circumstances in according to agreements or arrangements signed with the Company or the Company's related party, or after the effectiveness of the agreements or arrangements, or in the coming 12 months.

In the daily operation of the Company, the above related natural persons have received the securities and financial services offered by the Company or subscribed for securities and financial products issued by the Company in accordance with laws and regulations and the requirements of regulatory authorities. Due to the uncertainties of the occurrence and the scale of the businesses, they are accounted at the actual generated amount.

The expected related party/connected transactions with the above related legal persons are as follows:

(1) Trading on securities and financial products

Nature of the transaction	Category of the transaction	Expected amount
Trading on securities and financial products	Total cash inflows generated by the trading of securities and financial products	accounted at the actual generated amount due to the uncertainties of the occurrence and the scale of the businesses
	Total cash outflows generated by the trading of securities and financial products	accounted at the actual generated amount due to the uncertainties of the occurrence and the scale of the businesses

(2) Securities and financial services

Nature of the transaction	Category of the transaction	Expected amount
Securities and financial services	Income: the Company offers securities and financial services to the related parties	accounted at the actual generated amount due to the uncertainties of the occurrence and the scale of the businesses

Nature of the transaction	Category of the transaction	Expected amount
	Expense: the related parties offer securities and financial services to the Company	accounted at the actual generated amount due to the uncertainties of the occurrence and the scale of the businesses

2. *Other connected persons defined by the Listing Rules*

Except for the Members of Everbright Group, according to the relevant regulations of the Listing Rules and the Company's measurement, the connected transactions between the Company and other connected persons defined by the Listing Rules is expected to be fully or partly exempted from complying with the regulations of connected transactions in the Listing Rules, including reporting, announcement, annual review and independent shareholders' approval. In terms of the transactions, the Company will separately measure the actual amount of each transaction, and implement the relevant regulations of the Listing Rules, including reporting, announcement, annual review and/or independent shareholders' approval, in according to the measurement result.

III. Overview of the related/connected parties (persons) and the relationship

(I) *Members of Everbright Group*

As at the date of this circular, Everbright Group and through its affiliated company, China Everbright Limited (the "**Everbright Limited**"), had been holding 48.45% of equity of the Company.

Everbright Group was established in Beijing on November 12, 1990, with registered capital of RMB60 billion and the legal representative Li Xiaopeng. The financial businesses invested and managed by the Company include bank, securities, insurance, funds, trust, futures, leasing, gold and silver transactions and asset management as well as investment and management of non-financial business (The enterprise could decide the operating items in accordance with laws and carry out operating activities. The operating activities of the business to be approved in according to the laws should be implemented in accordance with the approval by relevant regulatory authorities. The enterprise should not carry out operating activities that are categorized as prohibited items or restricted items in accordance with the industrial policies of the city.).

Established on August 25, 1972 in Hong Kong with the chairman of the Board of Directors Mr. Cai Yunge, focusing on the fund management and investment businesses including the development of primary market funds, secondary market funds and structural finance and investment, Everbright Limited has persisted in the enlarged asset

management strategy and actively developed the aircraft leasing business in China and emerging markets, as the major shareholder of China Aircraft Leasing Group Holdings Limited.

China Everbright Bank Co., Ltd., established in August 1992, is a nationwide joint stock commercial bank listed both on the SSE (stock code: 601818) and the Stock Exchange (stock code: 6818). Its business scope includes: take public deposits; grant short-term, mid-term and long-term loans; provide domestic and foreign settlement; provide note discounting; issue financial debentures; act as agent for issuing, cashing and underwriting government bonds; trade government bonds; deal with inter-bank lending; trade and act as agent for foreign exchange trading; provide service and guarantee on letter of credit; act as agent for collection and payment of money and for insurance; provide safe-deposit box service; and other businesses approved by People's Bank of China and State Administration of Foreign Exchange.

Other subsidiaries of Everbright Group that have lots of businesses with the Company mainly include Sun Life Everbright Life Insurance Co., Ltd., Everbright Financial Holding Asset Management Co., Ltd., China Everbright Real Estate Co., Ltd. and China Everbright Holdings Co., Ltd.

(II) Other related parties defined by the Listing Rules of the SSE

Mainly include: China Securities Credit Investment Co., Ltd., China State Construction Engineering Corporation Ltd., Beijing Guofu Capital Co., Ltd. and Nice International Investments Limited, etc.

IV. The main contents and pricing policy of related party/connected transactions

(I) Property leasing business

The property leasing business mainly includes the mutual use of the properties of the Company and the related/connected parties for the purpose of business operating. By reference to the prevailing market rent applicable to the place where the leased property is located, the rent is negotiated by both parties on a fair and reasonable basis.

(II) Trading on securities and financial products

Trading on securities and financial products includes trading on various securities and financial products permitted by regulatory authorities, of which the market rates are generally transparent and standardized. The commission and charges charged for the above products or trading shall be determined based on the prevailing market rates or fairly negotiated by both parties by reference to the market rates applicable to independent counterparties in similar products or trading types.

(III) Securities and financial services

Securities and financial services transactions include various securities and financial services permitted by regulatory authorities mutually offered by the Company and the related/connected parties, including but not limited to investment banking, brokerage, asset management, deposit and loan, proxy sale of financial products and insurance, etc., of which the service price is determined after arms's length negotiation in accordance with market price standard, industry practice, the deposit and lending rates approved and published by the People's Bank of China and the price offered by third parties.

V. Effects of the ordinary related party/connected transactions to the Company

The ordinary related party/connected transactions of the Company are conducted in the ordinary course of business, which are beneficial to the business development of the Company and its comprehensive competitiveness. The relevant transactions are priced at reasonable and fair market prices without prejudice against the interests of the Company nor its non-related Shareholders. The relevant transactions will not have adverse effect to the independence of the Company.

For the purpose of pushing forward its international business strategy, increasing its financial resources and enhancing its international influence, the Company intends to issue overseas debt financing instruments to meet the needs for its overseas business development.

The specific arrangements for the issuance of overseas debt financing instruments are as follows:

1. Type

The types of instruments may comprise commercial loans, bonds, subordinated debentures or structured notes in line with the actual market conditions at the time of the issuance.

2. Term

The term of the overseas debt financing instruments shall not be longer than 10 years (including 10 years), and may be a type of instrument with a single term or a hybrid of instruments with multiple terms.

3. Interest Rates

The interest rates of the overseas debt financing instruments to be issued and the methods of the calculation and payment of such interest rates shall be determined by the issuer and the sponsor or the lead underwriter (if any) based on the market conditions at the time when the overseas debt financing instruments are being issued and in accordance with relevant regulations.

4. Issuer as well as Size and Method of Issuance

The issuer of the overseas debt financing instruments shall be the Company or the overseas wholly-owned or controlled subsidiaries of the Company. The overseas debt financing instruments shall be issued publicly or privately outside the PRC on an one-off-issue, multiple-issue or multiple-tranche basis. Subject to the conditions set out in (1), (2) and (3) below, the issuer may be the direct or indirect wholly-owned or controlled overseas subsidiary established outside the PRC by the Company to issue overseas debt financing instruments outside the PRC on one-off-issue, multiple-issue or multiple-tranche basis.

- (1) These wholly-owned or controlled overseas subsidiaries are established in Hong Kong or other appropriate overseas jurisdictions.
- (2) The registered capital of a direct or an indirect wholly-owned overseas subsidiary to be established shall not be more than US\$10,000 or other equivalent currencies. The name of the subsidiary shall be subject to final approval and registration by the authorities responsible for approval and registration.

- (3) A mandate has been granted by a general meeting and the necessary approval procedures of the regulatory authorities have been fulfilled.

The total size of the overseas debt financing instruments shall not be more than HKD20 billion or foreign currency equivalent (calculated on the basis of the outstanding balance after the issuance; if issued in foreign currencies, converted on the basis of the central parity rate announced by the People's Bank of China on the date of issue) and in compliance with relevant requirements under relevant laws and regulations governing the maximum amount of debt financing instruments to be issued.

The specific issuer, size of issuance, timing of issuance, tranches, currency and method of issuance shall be determined in accordance with relevant laws and regulations, on the basis of the regulatory authorities' opinions and suggestions and in line with the Company's capital requirements and market conditions at the time of the issuance.

5. Issue Price

The issue price of the overseas debt financing instruments shall be determined in line with the market conditions at the time of each issuance and in accordance with the relevant laws and regulations.

6. Guarantees and Other Arrangements

The issuer of the overseas debt financing instruments shall be the Company or a qualified wholly-owned or controlled subsidiary of the Company, for which the Company, the wholly-owned or controlled subsidiary and/or a third party shall provide guarantees and issue a letter of support, a keep-well agreement and/or other credit enhancement conventional methods available on the market based on the structure of each issuance.

7. Purpose of Proceeds

The proceeds from the issue of the overseas debt financing instruments shall be used to meet the Company's business operations needs, adjust its debt structure and replenish its working capital and/or project investments, etc.

8. Target Subscribers and Arrangements for Placement to the Shareholders of the Company

The target subscribers of the overseas debt financing instruments shall be investors inside and outside the PRC that meet the requirements of the subscription.

The overseas debt financing instruments may be placed to the shareholders of the Company. The specific placement arrangements (including whether to place or not, the placing ratio, etc.) shall be determined in accordance with the laws and based on the market conditions and the specific matters related to the issuance.

9. Listing of the Debt Financing Instruments

A proposal on the application for the listing of the overseas debt financing instruments shall be presented to a general meeting to authorize the Board. After the Board has been authorized by the general meeting, the Board agrees to delegate the aforesaid authorization so granted to the Chairman of the Board and the Executive President of the Company (hereinafter, “**Authorized Persons**”) to decide on the proposal jointly or severally based on the actual situation of the Company and the market conditions.

10. Validity Period of the Resolution

The resolution passed at the general meeting on the issuance of overseas debt financing instruments shall be valid for 36 months from the date of considering and approving such resolution at the general meeting.

If the Board and/or its Authorized Persons has/have, within the validity period of the authorization, decided on the issuance or partial issuance of the overseas debt financing instruments and have obtained the approval, permission, filing or registration (if applicable) of the issuance from the regulatory authorities, then the Company may complete the issuance or relevant partial issuance of the overseas debt financing instruments within the validity period of the confirmation of such approval, permission, filing or registration.

11. Authorised Matters Relating to the Issuance of the Overseas Debt Financing Instruments

To ensure effective coordination of the issuance of the overseas debt financing instruments and the specific matters during the issuance, the Board shall present a proposal to the general meeting for authorising the Board that after the Board has been authorized by the general meeting, the Board agrees to delegate the above authorization to the Authorised Persons to deal with all matters relating to the issuance of the overseas debt financing instruments jointly and severally in accordance with the relevant laws and regulations as well as opinions and suggestions from the regulatory authorities, within the framework and under the principles considered and approved at the general meeting, and based upon the principle of acting in the best interest of the Company, including but not limited to:

- (1) all matters relating to the issuance of the overseas debt financing instruments, such as the formulation and modification of specific plans for the issuances of the overseas debt financing instruments in accordance with the applicable laws and regulations, relevant rules of the regulatory authorities and the resolutions passed at

the general meeting for such purposes, and based on the actual situation of the Company and the relevant debt markets, including but not limited to the appropriate issuer(s); timing of issuance; issuance amount and method of issuance; terms of issuance; target subscribers; term; whether or not to issue on an one-off issue, multiple-issue, multi-tranche issue or multiple-type issue basis; arrangements for the size, tranche and type of each issuance; the method of determining the nominal value and interest rate; currency (including offshore RMB); pricing method; issuance arrangements; letter of guarantee; letter of support or keep-well arrangement and other conventional credit enhancement arrangements; rating arrangement; specific methods of subscription, whether or not to set out the terms for repurchase or redemption; specific placement arrangements; use of proceeds; registration; listing of and place of listing for the overseas debt financing instruments; measures to mitigate repayment risks; and measures to ensure debt repayment (if applicable);

- (2) all relevant matters relating to the establishment of direct or indirect wholly-owned or controlled overseas subsidiaries in accordance with the law in connection with the issuance of the overseas debt financing instruments, including but not limited to approval, filing and registration procedures inside and outside the PRC;
- (3) the determination and engagement of intermediary parties; the signing, executing, amending and completing of all agreements and documents relating to the issuance of the overseas debt financing instruments (including but not limited to sponsorship agreement, underwriting agreement, guarantee agreement, letter of support, other credit enhancement agreements, bond contract, agreement to engage intermediary parties, trusteeship agreement, liquidation agreement, registration depository agreement, listing agreement and other legal documents); and the disclosure of the relevant information in accordance with relevant law and regulations as well as the listing rules of the exchanges at the places where the Company's securities are listed (including but not limited to preliminary and final memoranda on the issuance of debt financing instruments, all announcements and circulars relating to the issuance of overseas debt financing instruments);
- (4) the selection and engagement of trustee(s) and liquidator(s) for the issuance of the overseas debt financing instruments, the signing of trustee agreement(s) and liquidation agreement(s), and (if applicable) the formulation of rules for meetings of the holders of the debt financing instruments;
- (5) the handling of all submissions and listing (if applicable) relating to the issuance of the overseas debt financing instruments, including but not limited to the submission of the documents prepared, revised and submitted in accordance with the requirements of relevant regulatory authorities relating to the issuance and listing of the overseas debt financing instruments, such as guarantee letter, letter of support or other credit enhancement agreements to be provided by the Company, issuer(s) and/or a third party; and the signing of the relevant application documents and other legal documents;

- (6) the making of changes to the matters accordingly, other than the matters as required to be re-voted at the general meeting by the relevant laws, regulations and Articles of Association, relating to the issuance of the overseas debt financing instruments based on the opinions of the regulatory authorities and in line with the changes in the policies or the changes in market conditions, or the determination of whether or not to proceed with all or part of the work in respect of the issuance of the overseas debt financing instruments in line with the actual situation;
- (7) the handling of other matters relating to the issuance of the overseas debt financing instruments;
- (8) on the basis of the above authorization approved at the general meeting, the Board agreed to authorize its Authorized Persons to specifically deal with all matters relating to the issuance of the overseas debt financing instruments on behalf of the Company in accordance with the resolutions passed at the general meeting and the authorization of the Board.

The above authorization shall remain valid from the date on which it was considered and approved at the general meeting to the expiration of the resolution passed at the general meeting on the overseas debt financing instruments or the completion of the above authorised matters, whichever date is earlier (depending on whether or not the issuance of the overseas debt financing instruments has been completed in full then).

The above resolution was considered and approved by the Board on March 26, 2018 and is hereby presented to the general meeting for consideration and approval.

For the purpose of optimizing its composition of assets and liabilities, effectively revitalizing assets in stock, replenishing funds required for business development and meeting liquidity requirements, the Company intends to raise funds through the issuance of asset-backed securities. The details are as follows:

1. Issuer

The issuer shall be a vehicle of an asset-backed special project specially established for carrying out the asset securitization business or a vehicle of other special purposes approved by the China Securities Regulatory Commission and other regulatory authorities.

2. Size of Issuance

The total amount shall not be more than 50% of the Company's net assets at the end of the latest period (the end of a year, the end of a half year or the end of a quarter) to be calculated on the basis of the outstanding balance after the issuance (including current outstanding asset-backed securities in issue). These securities may be issued on an one-off or a tranche basis.

3. Underlying Assets

Underlying assets are the property rights or properties that meet the requirements of laws and regulations, which have clearly-defined ownership, can generate independent and predictable cash flows and can be specialized, including but not limited to debt assets created by providing financing, debt assets repurchased by pledging shares and other properties or property rights as well as other properties or property rights approved by the China Securities Regulatory Commission and other regulatory authorities.

4. Period of Vehicle

Not more than 10 years (including 10 years). The expected duration of each period shall be determined in accordance with relevant regulations and funding requirements, and on the basis of the details of underlying assets and market conditions.

5. Expected Yield

It can be a fixed yield and/or a floating yield. The specific yield and the method of paying such yield shall be determined in line with the market conditions at the time of issuance and in accordance with the relevant regulations governing the asset securitization business.

6. Place of Listing

It is intended to apply for trading on a recognized stock exchange approved by the regulatory authorities.

7. Guarantees

They shall be determined in accordance with the relevant rules of the relevant regulatory authorities and on the basis of the structure of each issuance in accordance with the applicable laws.

8. Measures for Guaranteeing Debt Repayment

In the event that the principal and interest of asset-backed securities are not expected to be repaid on schedule or to be repaid on schedule when due, the following measures may be taken, including but not limited to: (1) the originator shall provide the shortfall to make up the difference; (2) the originator shall repurchase the underlying assets when the special-purpose vehicle expires, the asset pool cannot subsist, the underlying assets do not meet the standards and the originator has the right to repurchase the securities.

9. Authorized Matters

A proposal shall be presented to the general meeting to authorize the Board of Directors and to agree that the Board of Directors shall further authorize the Company's management to specifically deal with matters related to the issuance of the asset-backed securities in accordance with relevant laws and regulations, based on the opinions and suggestions from the regulatory authorities as well as the prevailing market conditions, within the framework and under the principles considered and approved at the general meeting, within the scope of the authorization by the general meeting and the Board of Directors, and based upon the principle of acting in the best interest of the Company.

10. Validity Period of the Resolution

According to the Resolution on the Issuance of Asset-backed Securities considered and approved at the 13th meeting of the 4th session of the Board of Directors of the Company and at the 6th Extraordinary General Meeting of 2015, the previous authorization will expire on November 18, 2018. The validity period of this proposed authorization will be 36 months from November 18, 2018 to November 18, 2021.

The above resolution was considered and approved by the Board of Directors on March 26, 2018 and is hereby presented to the general meeting for consideration and approval.

**Everbright Securities Co., Ltd.
Independent Directors' Annual Work Report for 2017**

Dear Shareholders

As the Independent Directors of the Board of Directors of Everbright Securities Co., Ltd. (hereinafter the “**Company**”), we have diligently and faithfully fulfilled our duties and obligations, exercised our powers, and protected the legitimate rights and interests of the Company and relevant stakeholders, especially minority Shareholders, in strict compliance with laws and regulations such as the Company Law, the Code of Corporate Governance for Listed Companies, the Rules for Governance of Securities Companies, Guidance on the Establishment of Independent Director System in Listed Companies, etc., as well as the Company’s internal rules such as Articles of Association and Independent Director Work Rules, etc.

On the basis of deep understanding of the operation of the Company, we have participated in the major decisions of the Board of Directors independently and objectively and made efforts to improve the corporate governance and drive the sustainable and sound development of the Company.

In accordance with relevant laws and regulations of the CSRC, we hereby report our work in 2017 as follows:

I. Basic information

The fourth session of the Board of Directors of the Company included Mr. Zhu Ning, Mr. Xu Jingchang, Mr. Xiong Yan, Mr. Li Zheping and Mr. Au Sing Kun. During the Reporting Period, the term of office of the fourth session of the Board of Directors the Company expired and the Company completed the re-election procedures. Mr. Zhu Ning ceased to be an Independent Director of the Company. At the fourth extraordinary general meeting of Shareholders of the Company in 2017, Mr. Xu Jingchang, Mr. Xiong Yan, Mr. Li Zheping and Mr. Au Sing Kun were elected as the Independent Directors of the fifth session of the Board of Directors of the Company.

Information on the Independent Directors of the fifth session of the Board of Directors of the Company is presented as follows:

Name	Work history and part-time work	Professional background	Is Independence affected
Xu Jingchang (徐經長)	Mr. Xu Jingchang is currently an Independent Director of the Company. He serves as dean, professor and doctoral tutor of the accounting department of the School of Business of Renmin University of China, an independent director of CITIC Heavy Industries Co., Ltd (a company listed on the SSE, stock code: 601608), an independent director of Sinochem International Corporation (a company listed on the SSE, stock code: 600500), Hainan Airlines Holding Co., Ltd. (a company listed on the SSE, stock code: 600221) and served as an executive member of the council of the Banking Accounting Society of China and a member of the council of the Accounting Society of China. He was previously the deputy dean of the accounting department of the Business School of Renmin University of China.	Renmin University of China Doctor of Accountancy	No

Name	Work history and part-time work	Professional background	Is Independence affected
Xiong Yan (熊焰)	Mr. Xiong is currently an Independent Director of the Company. He serves as chairman of Beijing Guofu Capital Co., Ltd., independent director of Beijing Watertek Information Technology Co., Ltd. (a company listed on the SZSE, stock code: 300324), vice chairman of the 3rd council of China Mergers and Acquisitions Association. He previously worked as a director, president and chairman of Beijing Property Rights Exchange Co., Ltd., chairman of Beijing Environment Exchange, chairman of China Technology Exchange, chairman and president of Beijing Financial Assets Exchange and an independent director of Cachet Pharmaceutical Company Limited (a company listed on the SZSE, stock code: 002462).	Harbin Institute of Technology Master of Economics	No
Li Zheping (李哲平)	Mr. Li is currently an Independent Director of the Company. He serves as an editor-in-chief of the magazine "Modern Bankers" and an independent director of UBS SDIC Fund Management Co., Ltd., AVIC Securities Co., Ltd. and Guangdong Nanyue Bank Co., Ltd respectively. Mr. Li previously served as an editor-in-chief of the theory edition of the "China Securities Journal", chairman of Tongxin Assets Appraisal Co., Ltd and an independent director of China CITIC Bank Corporation Limited (a company listed on the SSE (stock code: 607998) and the Stock Exchange (stock code: 998) respectively).	Graduate School, People's Bank of China Master of Money and Banking	No

Name	Work history and part-time work	Professional background	Is Independence affected
Au Sing Kun (區勝勤)	Mr. Au is currently an Independent Director of the Company. He serves as a director of Nice International Investments Limited. He held various positions with HSBC, including serving as regional manager, manager of the credit department and president of HSBC (Hong Kong), chief operating officer of HSBC (China), president of HSBC, Shenzhen Branch, and chief executive officer of HSBC (Macau). He was also the chairman of the Association of Shenzhen Foreign Financial Institutions, vice chairman of the Macau Association of Banks and an independent director of Shenzhen Expressway Co., Ltd. (a company listed on the SSE (stock code: 600548) and the Stock Exchange (stock code: 548) respectively).	University of Toronto, Canada Master of Business Administration	No

II. Annual work performance

(I) Record of attending the meetings of the Board of Directors and its special committees, and the general meetings

- In 2017, the Board of Directors held a total of eight meetings, including four on-site meetings, three meetings by communication, and one meeting held both on-site and by communication. In 2017, the Company held six general meetings. The attendance of meetings by Independent Directors is as follows:

- The attendance of meetings by the current Independent Directors is as follows:

Name	Number of meetings	Attendance in person	Attendance by proxy	Absence
Xu Jingchang	8	7	1	0
Xiong Yan	8	8	0	0
Li Zheping	8	7	1	0
Au Sing Kun	8	8	0	0

- (2) The attendance of meetings by the resigned Independent Director is as follows:

Name	Number of meetings	Attendance in person	Attendance by proxy	Absence
Zhu Ning	6	5	1	0

2. In 2017, the special committees under the Board of Directors held a total of nine meetings, including two meetings of the Remuneration, Nomination and Credentials Committee, five meetings of the Audit Committee and two meetings of the Risk Management Committee.

The Independent Directors of the fourth session of the Board of Directors served on the following special committees before the re-election of the Board of Directors:

Special committees under the Board of Directors	Independent Directors
Remuneration, Nomination and Credentials Committee Audit Committee	Xiong Yan (chairman), Zhu Ning, Xu Jingchang Xu Jingchang (chairman), Xiong Yan, Li Zheping
Risk Management Committee	Zhu Ning (chairman), Xu Jingchang, Li Zheping
Strategies and Development Committee	Zhu Ning, Xiong Yan

The Company's Independent Directors of the fifth session of the Board of Directors served on the following special committees:

Special committees under the Board of Directors	Independent Directors
Remuneration, Nomination and Credentials Committee Audit Committee	Xiong Yan (chairman), Xu Jingchang, Au Sing Kun Xu Jingchang (chairman), Xiong Yan, Li Zheping
Risk Management Committee	Li Zheping, Au Sing Kun
Strategies and Development Committee	Xiong Yan

As Independent Directors, we actively participated in the meetings of the Board of Directors and its special committees, conscientiously performed our duties, gave full play to our professional advantages, and provided professional support for the decision-making of the Board of Directors and its special committees.

(II) Relevant resolutions and voting results

During the Reporting Period, we had sufficiently reviewed and discussed the issues being considered at the meetings of the Board of Directors and special committees meetings during the term of office. We carried out serious studies of each proposal before the meetings, and actively participated in the discussion during each meeting, provided professional recommendations based on our own professional background and experience, and exercised our voting rights independently, objectively and prudently. Overall, all votes were casted in favour of relevant proposals, and there were no votes casted against or abstention from voting on the proposals. We believe that the convening of the relevant meetings of the Company complied with legal procedures, and the relevant proposals were not detrimental to the interests of any Shareholder, especially minority Shareholders. The relevant resolutions of the Board of Directors have been disclosed in the Company's previous announcements.

(III) Record of training

During the Reporting Period, we attended the special training regarding the Responsibilities and Obligations of Directors of Listed Companies in Hong Kong and General Compliance Issues of Listed Companies in Hong Kong offered by Latham & Watkins and the Training for Directors and Supervisors of Listed Companies offered by King & Wood Mallesons Beijing to further improve our ability to perform our work.

(IV) Smooth communication, active research, and full understanding of the Company's operation situation

During the Reporting Period, in addition to attending the meetings of the Board of Directors and its special committees and discussing the major decisions, we also fully understood the operation and management of the Company in the following ways: firstly, we acquired relevant information on the Company's operation and management, business dynamics, industry development status, regulatory trends, information disclosure, investor relationship management, etc. through the "Morning News" (新聞早知道) distributed daily and the "Directors and Supervisors Newsletter" distributed by the Company on a monthly basis; secondly, we kept daily contact with the Company's management and the Office Board of Directors by telephone and e-mail, etc. to timely communicate with the Company with regard to our concerns; thirdly, according to the requirements of the Company's Directors, the Company's management takes the initiative to give special reports on the Directors' issues of concern at the meetings of the Board of Directors.

We believe that the above initiatives have enhanced the transparency of the Company's operation and management, and a scientific and effective mechanism for sound communication between the Company's management and the Board of Directors has been established, which is conducive for Independent Directors to understand the Company's operation and management and the Board of Directors' scientific decision making.

III. Major concerns

(I) Related party transactions

Before the convening of the 28th meeting of the fourth session of the Board of Directors, we expressed our opinions on the execution of related party/connected transactions of the Company in 2016, and concluded that the related party/connected transactions of the Company in 2016 were entered into in the ordinary course of business and based on normal commercial terms or more favourable ones, and are subject to restrictions during execution, and the terms are considered fair and reasonable and in the interests of the Shareholders of the Company as a whole. We also expressed our opinions on related party/connected transactions of the Company in 2017, and concluded that the Board of Directors of the Company had reviewed the procedures and legal compliance to ensure that they complied with the provisions of the Company Law, Securities Law and other relevant laws and regulations, without prejudice to the interests of the Company and other Shareholders, especially minority Shareholders and non-related Shareholders upon the review of the relevant issues.

(II) External guarantees and capital occupation

Before the convening of the 28th meeting of the fourth session of the Board of Directors, we conducted investigations and studies on the external guarantees as at December 31, 2016 and expressed independent opinions. We were of the views that the Company's guarantees had been subjected to review procedures in compliance with the laws and the requirements under the Notice of Certain Issues relating to the Standards of Capital Dealings with Related Parties by Listed Companies and Provisions of External Guarantees by Listed Companies were met, without prejudice to the interests of the Company and the Shareholders, The Company does not have any fund occupied by controlling shareholders and their related parties for purposes other than business operation.

(III) The use of funds raised

Before the convening of the 28th meeting of the fourth session of the Board of Directors, we verified and reviewed the deposit and actual use of funds raised in 2016. We are of the view that the Company had strictly deposited and used the raised funds in accordance with the stipulations and requirements under the Company Law, Securities Law, the Rules Governing the Listing of Stocks on SSE, the Guidance on the Supervision of Listed Companies No.2 – the Regulatory Requirements for the Management and Use of Funds Raised by Listed Companies, Regulations of Everbright Securities Company Limited on the Management and Use of Funds Raised, deposited the funds in special accounts and invested them in committed projects and disclosed updated, authentic, accurate and complete relevant information. There was no indirect change in the use of proceeds, no detriment to the interests of the Shareholders and no violations regarding the use of raised funds.

The Proposal on the Change in the Use of Proceeds from the Issuance of H Shares was passed at the Company's 30th meeting of the fourth session of the Board of Directors, the resolution was considered and passed during the third extraordinary general meeting of the Company in 2017. We consider that the review procedures of the relevant resolution complied the requirements under the relevant regulations of the Company Law and Articles of Association and it was beneficial to the long-term development of the Company and enabled the effective use of raised funds, which was in the interests of the Company and the Shareholders as a whole, without prejudice to the legitimate rights of the Company and the minority Shareholders.

(IV) Nomination and remuneration of senior management

During the Reporting Period, the Remuneration, Nomination and Credentials Committee under the Board of Directors verified and reviewed the information on nomination and remuneration before the Board of Directors reviewed the matters concerning senior management nomination and remuneration. We believe that the Board of Directors' decision on the matters concerning senior management nomination and remuneration was carried out in according to legal and valid procedures, without prejudice to the interests of the Company and other Shareholders, especially minority Shareholders.

The proposal regarding nomination of Mr. Ge Haijiao as a candidate of the Company's Director and proposals regarding appointment of certain senior management was passed at the Company's 26th meeting of the fourth session of the Board of Directors, we consider that the candidates of Directors and senior management satisfied the conditions for being directors and senior management of a listed securities company and can perform the duties required by the relevant positions in the Company. The nomination and appointment procedures of the above persons met the relevant requirements of the laws and regulations and the Articles of Association.

The Proposal on Determining the Total Amount of Remuneration of the Senior Management of the Company for 2016 was passed at the Company's 31st meeting of the fourth session of the Board of Directors, we consider that the remuneration proposal in 2016 had fully considered the market rate level and the overall operating performance of the Company and was favourable to facilitate the long-term development of the Company; the relevant decision making procedures were in compliance with the laws and regulations, without prejudice to the interests of the Company and the Shareholders.

The Proposal on the Appointment of Mr. Zhou Jiannan as the Executive President was passed at the Company's 1st meeting of the fifth session of the Board of Directors, we consider that the review procedures were valid and complied with the relevant laws and regulations under the Company Law and Securities Law, and the Articles of Association. The relevant qualifications for appointment of Mr. Zhou Jiannan satisfied the requirements of the relevant laws and regulations under the Company Law, Securities Law, Rules for Governance of Securities Companies, Code of Corporate Governance for

Listed Companies, as well as the listing rules of the SSE and the Stock Exchange, and Articles of Association. Mr. Zhou is able to perform the duties required by the corresponding position in the Company.

(V) Results announcement and performance express

On January 21, 2017, according to the relevant rules of the Rules Governing the Listing of Stocks on SSE, the Company disclosed its preliminary results announcement for 2016. On March 30, 2017, the Company disclosed its annual report for 2016. After verification, we believe that the Company's main financial data and indicators contained in the Company's preliminary results announcement for 2016 are not significantly different from the Company's audited financial data in the final accounts.

(VI) Appointment or replacement of accounting firm

Before the convening of the 28th meeting of the fourth session of the Board of Directors, we verified and reviewed the relevant information on Ernst & Young Hua Ming LLP (Special General Partnership) as the Company's external auditor in 2017 based on the principle of objectivity and impartiality. We also expressed our independent opinions and believe that the above appointment of external auditor met the Company's actual needs, and the Board of Directors' decision on relevant matters was carried out in accordance with laws and were valid.

(VII) Cash dividends and other investor returns

The 28th meeting of the fourth session of the Board of Directors of the Company and the 2016 annual general meeting reviewed and approved the profit distribution plan for 2016 and distributed RMB2 (tax inclusive) for every 10 Shares to all Shareholders of A Shares and H Shares at a total of RMB922.16 million.

We believe that the Company's profit distribution plan for 2016 was in line with the Company's actual situation and complied with the requirements on cash dividend as set out in Guidance on Distribution of Cash Dividends by Listed Companies and the Articles of Association, without prejudice to the interests of the Company and other Shareholders, especially minority Shareholders and non-related Shareholders. The procedures and results of the voting by the Company's Board of Directors on the "Profit Distribution Plan for 2016" were in compliance with the Company Law, other relevant laws, regulations, normative documents and the Articles of Association.

(VIII) Performance of the undertakings of the Company and Shareholders

Everbright Group, being the Company's controlling Shareholder, has made a non-competition undertaking in favor of Everbright Securities during the listing of Everbright Securities A Shares on SSE and the listing of H Shares on the Hong Kong Stock Exchange.

We reviewed the written confirmation letter issued by Everbright Group and its compliance with and implementation of the non-competition undertaking, and we believe that there was no substantial competition between the business operated by Everbright Group and other enterprises under its direct or indirect control and the principal business operated by Everbright Securities and enterprises under its direct or indirect control, with securities company as the operating entity under the supervision of relevant securities regulators, during the year of 2016. Therefore, Everbright Group has complied with the relevant non-competition undertaking in 2016.

(IX) Implementation of information disclosure

During the Reporting Period, the Company fulfilled the obligation of information disclosure in according to the principles of “openness, fairness and impartiality”. The Company disclosed 69 provisional announcements, 4 periodic reports and 12 monthly financial data briefs throughout the year.

As Independent Directors, we paid close attention to the implementation of the Company's information disclosure, and from the perspective of protecting the interests of investors, conducted prior auditing of the Company's major issues and issued corresponding independent opinions.

(X) Implementation of internal control

On the basis of carefully reviewing the Board of Directors' Internal Control Evaluation Report for 2016, and based on the identification of significant defects in the internal control of the Company's financial reporting, we believe that the Company has maintained effective internal control in financial reporting in all material aspects in accordance with the requirements of enterprise internal control system and relevant regulations in 2016. Based on the identification of significant defects in the internal control of the Company's non-financial reporting, we did not find any significant deficiencies in the internal control of the Company's non-financial reporting in 2016.

(XI) Implementation of Changes to Accounting Policies

Before the convening of the 31st meeting of the fourth session of the Board of Directors, we carried out research and studies on the changes to the Company's accounting policies. Changing the accounting policies was a reasonable move conducted under the relevant requirements of the Notice on Issuing the Revised Accounting Standards for Business Enterprises No. 16 – Government Subsidies promulgated by the Ministry of Finance enabling the accounting policies of the Company to align with the relevant requirements of the Ministry of Finance, CSRC and SSE and reflect the financial conditions and the operating results of the Company in an objective and fair manner. The decision-making procedure of changing the accounting policies satisfied the requirements of relevant laws and regulations, and the Articles of Association, without prejudice to the interests of the Company and the minority Shareholders.

(XII) The operation of the Board of Directors and its special committees

During the Reporting Period, we, as Independent Directors, actively participated in the meetings of the Board of Directors and its special committees. We believe that the convening of the meetings of the Board of Directors was in compliance with legal procedures and regulatory requirements. The voting results were lawful and valid and effectively enforced; the operating procedures of special committees under the Board of Directors were lawful, compliant and effective.

(XIII) Other matters that Independent Directors consider should be improved by the listed company

None.

IV. Overall appraisal and recommendations

In 2017, with an honest, diligent and conscientious attitude, we carefully reviewed the meeting documents of the Board of Directors, issued independent opinions, paid attention to the Company's information disclosure and financial market environment, maintained close communication with the Company, and actively participated in the Company's research work, achieving our goal of being honest, diligent and conscientious.

In 2018, we will continue to perform our duties independently, strengthen our communication and collaboration with the Company, jointly protect the scientific and efficient performance of the functions of the Board of Directors, strive to contribute more to corporate governance, business development, internal control and risk management, and earnestly safeguard the Company's overall interests and the legitimate rights and interests of minority Shareholders.

Independent Directors:

Xu Jingchang, Xiong Yan, Li Zheping, Au Sing Kun