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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)

ANNOUNCEMENT
CONTINUING CONNECTED TRANSACTIONS

NEW EVERBRIGHT GROUP FINANCIAL PRODUCTS AND SERVICES FRAMEWORK AGREEMENT AND NEW EVERBRIGHT GROUP PROPERTY LEASING FRAMEWORK AGREEMENT

Reference is made to the prospectus of the global offering of H Shares of the Company dated August 8, 2016, which disclosed (1) 2016 Everbright Group Financial Products and Services Framework Agreement; and (2) 2016 Everbright Group Property Leasing Framework Agreement entered into between the Company and the Everbright Group.

The 2016 Everbright Group Financial Products and Services Framework Agreement shall be valid until December 31, 2018. Given the expansion of the business qualifications and business scope of the Group and the expansion of the type and scope of business engaged by the Everbright Group's subsidiaries in recent years and taking into account the expiry of the 2016 Everbright Group Financial Products and Services Framework Agreement on December 31, 2018, the Company proposes to renew the securities and financial products and services framework agreement between the Company and the Everbright Group on the basis of the 2016 Everbright Group Financial Products and Services Framework Agreement for a term of three years commencing from January 1, 2019 to December 31, 2021.

In the ordinary course of the business of the Group, the Group deposits its proprietary funds and customers' funds with Everbright Bank (a connected person of the Company). As stated in the global offering prospectus of the Company, during the application for the listing of H Shares of the Company, the Company has applied for a waiver from the Hong Kong Stock Exchange from setting a maximum daily deposit limit on the deposits of the Group's proprietary funds and customers' funds placed with Everbright Bank, and the Hong Kong Stock Exchange has granted us a waiver from strict compliance with the maximum daily balance requirements set out in Rule 14A.53 of the Hong Kong Listing Rules. Given such waiver will expire on December 31, 2018, the Company has again applied to the Hong Kong Stock Exchange for a waiver from strict compliance with the maximum daily balance of the deposits as required under Rule 14A.53 of the Hong Kong Listing Rules. The Hong Kong Stock Exchange is yet to grant the Company such a waiver. If the Hong Kong Stock Exchange does not approve the waiver application, the Board of Directors has agreed to ratify, confirm and approve the management of the Company to set a maximum daily deposit limit on the deposits of the Group's proprietary funds and the customers' funds placed with Everbright Bank in accordance with the applicable laws and regulations, the Hong Kong Listing Rules, the requirements of the competent regulatory authorities and the actual situation of the Group.

The 2016 Everbright Group Property Leasing Framework Agreement shall be valid until December 31, 2018. The Company proposes to renew the property leasing framework agreement between the Company and the Everbright Group on the basis of the 2016 Everbright Group Property Leasing Framework Agreement for a term of three years commencing from January 1, 2019 to December 31, 2021.

EVERBRIGHT GROUP NON-FINANCIAL MISCELLANEOUS SERVICES FRAMEWORK AGREEMENT

In the course of ordinary business, the Everbright Group and its associates provide certain non-financial services to the Group, and the Group expects that it will also provide certain non-financial services to the Everbright Group and its associates. The non-financial miscellaneous services provided by the Everbright Group and its associates to the Group include, but not limited to, information technology and Internet network services, conference services, title sponsor services, network maintenance, printing and publication, books and audio/video products, renovation, training, medical care, corporate travel management, advertising and promotion, property management, consultancy services, labor outsourcing related services and other non-financial miscellaneous services. The non-financial miscellaneous services to be provided by the Group to the Everbright Group and its associates include, but not limited to, information technology and Internet network services, lease of advertising places, logistics, warehouse, consultancy services, labor outsourcing and other non-financial miscellaneous services. To comply with the requirements of the Hong Kong Listing Rules, the Company will enter into the Everbright Group Non-financial Miscellaneous Services Framework Agreement with the Everbright Group, pursuant to which, the Everbright Group and the Group will mutually provide certain non-financial miscellaneous services during the valid period of the Everbright Group Non-financial Miscellaneous Services Framework Agreement. The Everbright Group Non-financial Miscellaneous Services Framework Agreement has a term of three years commencing from January 1, 2019 to December 31, 2021.

IMPLICATIONS OF THE HONG KONG LISTING RULES

- (1) The Everbright Group is the controlling shareholder of the Company. As at the date of this announcement, the Everbright Group is directly and indirectly interested in approximately 46.45% of the equity interest Company in aggregate. Accordingly, under the Hong Kong Listing Rules, the Everbright Group and its associates are connected persons of the Company, and the transactions contemplated under the New Everbright Group Financial Products and Services Framework Agreement, New Everbright Group Property Leasing Framework Agreement and Everbright Group Non-financial Miscellaneous Services Framework Agreement between the Group and the Everbright Group and its associates shall constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.
- (2) As the highest applicable percentage ratios in respect of (1) the proposed annual caps for the three years ending December 31, 2021 of the continuing securities and financial products transactions; and (2) the proposed annual caps for the three years ending December 31, 2021 of the continuing securities and financial services transactions contemplated under the New Everbright Group Financial Products and Services Framework Agreement exceed 5% as calculated according to the Hong Kong Listing Rules, such continuing connected transactions are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The Company has again applied to the Hong Kong Stock Exchange for a waiver from strict compliance with the maximum daily balance of the deposit limit of the Group's proprietary funds and customers' funds placed with Everbright Bank as required under Rule 14A.53 of the Hong Kong Listing Rules. The Hong Kong Stock Exchange is yet to grant the Company such a waiver. If the Hong Kong Stock Exchange does not approve the waiver application, the Board of Directors has agreed to ratify, confirm and approve the management of the Company to set a maximum daily deposit limit on the deposits of the Group's proprietary funds and the customers' funds placed with Everbright Bank in accordance with the applicable laws and regulations, the Hong Kong Listing Rules, the requirements of the competent regulatory authorities and the actual situation of the Group.

- (3) The highest applicable percentage ratios in respect of the proposed annual caps for the three years ending December 31, 2021 of the continuing connected transactions contemplated under the New Everbright Group Property Leasing Framework Agreement and the Everbright Group Non-financial Miscellaneous Services Framework Agreement exceed 0.1% but are less than 5%. Accordingly, such continuing connected transactions are subject to the reporting, announcement and annual review only but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

EXTRAORDINARY GENERAL MEETING

(1) Mr. Xue Feng, the Chairman and an executive Director of the Company; (2) Mr. Ju Hao, a non-executive Director of the Company, being a director of the Everbright Group; (3) Mr. Yan Jun, a non-executive Director of the Company, being the executive deputy director and officer of deepening reform of the Central Leading Group for Comprehensive Reforms of Everbright Group; (4) Mr. Song Bingfang, a non-executive Director of the Company, being the deputy director of the office of the Board of Directors of Everbright Group; (5) Mr. Yin Lianchen, a non-executive Director of the Company, being an executive director, chief investment officer and a member of the management decision committee, executive committee and strategy committee of Everbright Limited, a subsidiary of the Everbright Group; and (6) Mr. Chan Ming Kin, a non-executive Director of the Company, being the chief legal advisor, company secretary and a member of the Investment Decision Committee of Everbright Limited, are deemed to have a material interest in all of the above continuing connected transactions to be contemplated between the Group and the Everbright Group and have abstained from voting with respect to the relevant resolutions at the Board meeting. Save as disclosed above, no other Directors have a material interest in such transactions and therefore are not required to abstain from voting with respect to the relevant resolutions at the Board meeting.

The Company will convene an extraordinary general meeting for the purposes of, among other things, obtaining the Independent Shareholders' approval for the New Everbright Group Financial Products and Services Framework Agreement and the proposed annual caps for the continuing securities and financial products transactions and securities and financial services transactions contemplated thereunder. The Everbright Group and its associates will abstain from voting on the relevant resolutions.

The Independent Board Committee, comprising all the independent non-executive Directors of the Company, has been formed to advise the Independent Shareholders on the terms of the proposed New Everbright Group Financial Products and Services Framework Agreement and the proposed annual caps for the continuing securities and financial products transactions and securities and financial services transactions contemplated thereunder.

Gram Capital has also been appointed by the Independent Board Committee of the Company to advise the Independent Board Committee and the Independent Shareholders of the Company on the same matters.

A circular containing further details of the New Everbright Group Financial Products and Services Framework Agreement, a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders and a letter from the Independent Board Committee to the Independent Shareholders on the same and its recommendation on voting, on the proposed terms of the New Everbright Group Financial Products and Services Framework Agreement and the proposed annual caps of the transactions contemplated thereunder, will be despatched to the Shareholders in due course.

1. PROPOSED RENEWAL OF THE FINANCIAL PRODUCTS AND SERVICES FRAMEWORK AGREEMENT

1.1 OVERVIEW

1.1.1 Background of Financial Products and Services Framework Agreement

In the ordinary course of business of the Group, the Group, from time to time, enters into the securities and financial products transactions (the “**securities and financial products transactions**”) with the Everbright Group and its associates, and also provides securities and financial services (the “**securities and financial services**”) to the Everbright Group and its associates. Similarly, the Everbright Group and its associates also enter into the securities and financial products transactions with the Group and provide the securities and financial services to the Group on normal commercial terms. To comply with the requirements of the Hong Kong Listing Rules, the Company entered into the financial products and services framework agreement (the “**2016 Everbright Group Financial Products and Services Framework Agreement**”) with the Everbright Group in August 2016 prior to the listing of the H Shares on the Hong Kong Stock Exchange. Such agreement shall be valid until December 31, 2018.

Given the expansion of the business qualifications and business scope of the Group and the expansion of the type and scope of business engaged by the Everbright Group’s subsidiaries in recent years and taking into account the expiry of the 2016 Everbright Group Financial Products and Services Framework Agreement on December 31, 2018, the Company proposes to renew the financial products and services framework agreement between the Company and the Everbright Group on the basis of the 2016 Everbright Group Financial Products and Services Framework Agreement (the “**New Everbright Group Financial Products and Services Framework Agreement**”) for a term of three years commencing from January 1, 2019 to December 31, 2021.

1.1.2 Changes of the Securities and Financial Products Transactions

The Company proposes to make the following changes to the scope of the securities and financial products transactions:

| <p align="center">2016 Everbright Group Financial Products and Services Framework Agreement</p> | <p align="center">New Everbright Group Financial Products and Services Framework Agreement</p> |
|---|---|
| <ul style="list-style-type: none"> • products with fixed income features, including bonds, funds, trust products, wealth management products and assets securitized products, convertible bonds and structured products with fixed income features | <ul style="list-style-type: none"> • securities products with fixed income features, including, but not limited to, bonds, funds, trusts, wealth management products, asset management schemes, assets securitized products, convertible bonds, bond lending and borrowing, structured products, swaps, futures, forwards, options and other financial products with fixed income features |
| <ul style="list-style-type: none"> • fixed income related derivative products and equity-linked products, including interest rates, credit risk derivative products and equity derivatives | <ul style="list-style-type: none"> • fixed income related derivative products, including, but not limited to, interest rates and credit derivative products • equity related products, including, but not limited to, trading and/or subscription of equities (including market-making activities on the National Equities Exchange and Quotation) (the “New Third Board”), funds, trusts, wealth management products, asset management products and equity derivative products such as income swaps and convertible bonds |
| <ul style="list-style-type: none"> • financing transactions – financing transactions among financial institutions with or without guarantees, including interbank lending, repurchase, interbank deposits and holding of debt certificates | <ul style="list-style-type: none"> • financing transactions – financing transactions among financial institutions with or without guarantees/pledges including, but not limited to, interbank lending, repurchase, interbank deposits, usufruct, asset securitization, corporate account overdrafts, pledge loans, holding debt certificates for each other (including, but not limited to, short-term financing bonds, structured notes, subordinated debts, corporate bonds and etc.) |
| <ul style="list-style-type: none"> • other related securities and financial products – including futures, foreign exchange and commodities trading | <ul style="list-style-type: none"> • other related securities and financial products permitted under applicable laws – including, but not limited to, futures, foreign exchange, commodities trading, options and etc. |

1.1.3 Reasons for the Changes in the Securities and Financial Products Transactions

The reasons for the proposed changes to the securities and financial products transactions under the New Everbright Group Financial Products and Services Framework Agreement to be made by the Company are mainly based on the followings:

- (1) the Company has further refined the classification of the items under “securities products with fixed income features”, “fixed income related derivative products”, “financing transactions” and “other related securities and financial products” described in the 2016 Everbright Group Financial Products and Services Framework Agreement based on the actual conditions of the ordinary business of the Group and the anticipated carrying on of the business in the coming three years, which is conducive to the classification of the securities and financial products transactions of the Group in their ordinary course of business;
- (2) the Company or its subsidiaries purchase the equity-linked financial products issued by Everbright Group’s subsidiaries in the course of ordinary and usual business due to their own business needs, and the Everbright Group’s subsidiaries also purchase the equity related financial products issued by the Company or its subsidiaries in the course of ordinary and usual business. Accordingly, the Company considers that it is necessary to further refine the classification of “equity-linked products” described in the 2016 Everbright Group Financial Products and Services Framework Agreement as “equity related products” to better align with the actual business conditions of the Group;
- (3) the Company is qualified to act as market maker on the New Third Board. In the ordinary course of business, the Company may be engaged by the issuer (a connected person) as market maker, and the issuance of shares by these connected issuers to the Group in connection with market-making activities shall constitute continuing connected transactions; and
- (4) the convertible bonds are traded on the PRC exchange bond market rather than the national interbank market. Such transactions will be included in the “equity derivative products” transactions elaborated in the “equity related products” category.

1.1.4 Changes of Securities and Financial Services

The Company proposes to make the following changes to the scope of the securities and financial services:

| 2016 Everbright Group Financial Products and Services Framework Agreement | New Everbright Group Financial Products and Services Framework Agreement |
|--|---|
| <i>Provision of Securities and Financial Services by the Everbright Group and its associates to the Group</i> | |
| <ul style="list-style-type: none"> • deposit services – including (a) deposits of cash balances arising from the Group’s business operations including the Group’s daily operations, proceeds from the Group’s fund raising activities such as equity and bond issues; (b) cash deposits from the Group’s customers; and (c) other deposits | <ul style="list-style-type: none"> • deposit services – including, but not limited to, (a) deposits of cash balances arising from the Group’s business operations including cash from daily operations, proceeds from equity and bond issues; (b) cash deposits from the Group’s customers; and (c) other deposits |
| <ul style="list-style-type: none"> • financial products sale services – including provision of agency sale services for the Group’s financial products | <ul style="list-style-type: none"> • financial products sale services – including, but not limited to, provision of agency sale services for the Group’s financial products and precious metals |
| <ul style="list-style-type: none"> • client deposits management services – including management services provided by the Everbright Group and its associates for managing the deposits of the Group’s non-financial institution customers, which are required by the relevant PRC laws and regulations to be deposited into the Group’s account with a PRC bank | <ul style="list-style-type: none"> • deposits management and custody services, including, but not limited to, management services provided by members of the Everbright Group for managing the deposits of the Group’s non-financial institution customers, which are required by the relevant PRC laws and regulations to be deposited into the Group’s special account with a PRC bank, and custody services provided by members of the Everbright Group for the securities and financial products issued by the Group |
| <ul style="list-style-type: none"> • loan services – including loans as the Group’s working capital provided by the Everbright Group and its associates | <ul style="list-style-type: none"> • loan services – including, but not limited to, funds required for daily operations and loans as working capital |
| <ul style="list-style-type: none"> • other securities and financial advisory and consulting services and monetary brokerage services | <ul style="list-style-type: none"> • other financial and securities advisory and consulting services, monetary brokerage services and commodities services, etc. |
| | <ul style="list-style-type: none"> • other investment banking services, including, but not limited to, financial advisory services |
| | <ul style="list-style-type: none"> • insurance services, including, but not limited to, employee insurance |
| | <ul style="list-style-type: none"> • financial leasing service and factoring financial services |
| | <ul style="list-style-type: none"> • other securities and financial services permitted by the applicable laws |

| 2016 Everbright Group Financial Products and Services Framework Agreement | New Everbright Group Financial Products and Services Framework Agreement |
|---|--|
| <i>Provision of Securities and Financial Services by the Group to the Everbright Group and its associates</i> | |
| <ul style="list-style-type: none"> • underwriting and sponsorship services – including underwriting and sponsorship services for equity securities, fixed income products, structured products and other derivative products | <ul style="list-style-type: none"> • underwriting and sponsorship services – including, but not limited to, underwriting, sponsorship and continuous supervision and guidance services for equities, fixed income products, structured products and other derivative products |
| <ul style="list-style-type: none"> • other investment banking services – including corporate restructuring, mergers and acquisition advisory services | <ul style="list-style-type: none"> • other investment banking services – including, but not limited to, financial advisory services relating to corporate restructuring, reorganization, mergers and acquisition; asset management related wealth management products investment advisory services; and consulting services |
| <ul style="list-style-type: none"> • brokerage services – including securities brokerage and related financial products brokerage services | <ul style="list-style-type: none"> • brokerage services – including, but not limited to, securities brokerage and related financial products brokerage services as well as futures brokerage services such as treasury bond futures |
| <ul style="list-style-type: none"> • financial products proxy sale services – including provision of agency sale services | <ul style="list-style-type: none"> • financial products proxy sale services – including, but not limited to, provision of agency sale services for financial products |
| <ul style="list-style-type: none"> • entrusted asset management services – including asset management services for assets entrusted by customers | <ul style="list-style-type: none"> • entrusted asset management services – including, but not limited to, asset management services for assets entrusted by customers |
| <ul style="list-style-type: none"> • other securities and financial advisory and consulting services | <ul style="list-style-type: none"> • other financial and securities advisory and consulting services, commodities services and etc. |
| | <ul style="list-style-type: none"> • public-private partnership (PPP) financial services |
| | <ul style="list-style-type: none"> • financial leasing services and factoring financial services |
| | <ul style="list-style-type: none"> • other securities and financial services permitted under the applicable laws |

1.1.5 Reasons for the Changes in the Securities and Financial Services

(1). With respect to the provision of securities and financial services by the Everbright Group and its associates to the Group:

- (1) Certain associates of the Everbright Group are licensed to provide commodities trading related services and may provide such services to the Group; and
- (2) The Group may engage in sale of precious metals in its commodities trading and may appoint the licensed associates of the Everbright Group as agent for the sale of precious metals for which the agency sale expenses incurred will constitute connected transactions of the Group.

(2). With respect to the provision of securities and financial services by the Group to the Everbright Group and its associates:

- (1) The Company is qualified to provide continuous supervision and guidance for companies whose shares are quoted on the New Third Board. As such, it may provide continuous supervision and guidance to associates of the Everbright Group, whose shares are quoted on the New Third Board;
- (2) The Group has obtained the qualification to conduct commodities trading related services and may provide such commodities trading related services to the Everbright Group and its associates, which will constitute connected transactions of the Company;
- (3) The members of the Group have obtained the qualification to engage in PPP financial services, financial leasing services and factoring financial services, and may provide such related services to the Everbright Group and its associates, which will constitute connected transactions of the Company; and
- (4) The Company has further refined the classification of the items under “underwriting and sponsorship services”, “other investment banking services” and “brokerage services” described in the 2016 Everbright Group Financial Products and Services Framework Agreement based on the actual conditions of the ordinary business of the Group and the anticipated business conditions in the coming three years, which is conducive to the classification of the securities and financial products and services of the Group in their ordinary course of business.

1.2 “Securities and Financial Products Transactions” under New Everbright Group Financial Products and Services Framework Agreement

1.2.1 Pricing basis for Securities and Financial Products Transactions

In the ordinary and usual course of business of the Group and the Everbright Group and its associates, it is expected that various agreements relating to the securities and financial products transactions will be entered, including, but not limited to securities products with fixed income features, fixed income related derivative products, equity related products, financing transactions and other securities and financial products transactions permitted under the applicable laws. The above securities and financial products transactions are and will continue to be conducted at the prevailing market prices in the ordinary and usual course of the Group’s business and with high frequency – for transactions conducted through the interbank bond market and PRC exchange bond market, at the prices quoted in the interbank bond market and the PRC exchange bond market respectively, and for transactions conducted through the stock exchanges, at the prevailing market prices in the relevant stock exchanges. For inter-financial institutions borrowings and lendings, transactions are conducted based on the prevailing interest rates quoted on the interbank money market. The pricings of such transactions are generally transparent and standardized, and are subject to strict PRC regulatory supervision and requirements of the applicable PRC laws and regulations.

China’s interbank bond market is an open, highly regulated quote-driven market regulated by the People’s Bank of China (the “PBOC”) pursuant to the Measures for the Administration of Bond Transactions in the National Interbank Bond Market (全國銀行間債券市場債券交易管理辦法). Transactions in the interbank bond market must be reported to China Foreign Exchange Trading System & National Interbank Funding Centre (“NIFC”) and are supervised by NIFC, China Central Depository & Clearing Co., Ltd. (“CCDC”) and the National Association of Financial Market Institutional Investors (“NAFMII”).

According to the relevant PRC rules and regulations, prevailing market prices in the interbank bond market are determined with reference to the bid and offer prices quoted on NIFC and all transactions, whether conducted through an authorized intermediate money brokerage firm or a market maker or through over-the-counter negotiations, have to be reported to NIFC and reflected in the price quotations provided by NIFC and CCDC. According to the self-regulatory rules of NAFMII (i.e. the Self-regulatory Rules for Bond Transaction in Inter-bank Bond Market (銀行間債券市場債券交易自律規則)), abnormal pricing may result in disciplinary action by NAFMII, including public criticism. NAFMII is a self-regulatory organization responsible for supervising interbank transactions.

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

In terms of subscriptions by the Group of the financial products issued by the financial institutions of the Everbright Group and subscription by the Everbright Group and its associates of the financial products issued by the Company or its subsidiaries, the subscription price is at the same subscription price as the subscriptions by other investors. Such subscription price is determined by the financial institutions of the Everbright Group (or by the Company or its subsidiaries, where the financial product is issued by the Company or its subsidiaries) which issued the financial products after considering the fundamentals of the assets/businesses to be invested. All subscribers for the same financial products will subscribe for the same issuance price.

1.2.2 Pricing approval and supervision

The Company has access to the NIFC and CCDC systems and systems of the domestic stock exchanges for interbank bond market and PRC exchange bond market transactions. It also reviews various bond market information published by NIFC and CCDC and other agents. For example, NIFC also composes repurchase rates and is one of the key benchmarks for repurchase transactions in the PRC financial market. The Company has also subscribed for information services provided by information service providers, such as Wind Info, and has access to information channels and websites of official and voluntary industry regulatory authorities, such as Asset Management Association of China, Chinamoney.com.cn and Chinabond.com.cn etc., which publish periodic official and voluntary statistics/information on the industry from time to time.

To ensure the terms of the securities and financial products transactions are on normal commercial terms or on terms no less favourable than terms applicable to independent third parties, the Group has implemented internal approval and monitoring procedures, including the following:

- (1) The Group has established its internal guidelines and policies for conduct of different types of securities and financial products as well as the internal procedures and systems for approval and supervision such transactions and lending and borrowings. Such policies and guidelines set out the requirements for pre-trading pricing enquiries, applicable interest rates, the procedures for price determination, approval authority and procedures, record keeping, supervision and review procedures for different types of transactions and businesses.
- (2) Before confirming the pricing of the transactions by the relevant departments and subsidiaries of the Company with the Everbright Group or its associates, the Group shall refer to the pricing offered to or quoted by two or more independent third parties for contemporaneous transactions in similar quantities to determine if the pricing and terms for the relevant transaction are fair, reasonable and no less favourable than those quoted by independent third parties to the Group or no more favourable than those offered by the Group to independent third parties, as the case may be.
- (3) The relevant departments and subsidiaries of the Company shall take the responsibility to prove that the connected transactions are entered into on normal commercial terms or on terms no less (more) favourable to those obtained or provided by independent third parties, and provide relevant evidence materials according to the requirements of the Working Group of the Related-party/ Connected Transactions of the Company.
- (4) The relevant management departments of the Company also collect data from the relevant business departments and review the actual transaction amounts of different types of securities and financial products transactions on a regular or ad hoc basis to ensure that the annual caps would not be exceeded and remind the business departments on the control of such connected transactions.

- (5) The continuing connected transactions are also subject to annual review by all independent non-executive Directors, the Audit Department of the Company and the auditors of the Company. The review results of the independent non-executive Directors and auditors of the Company on annual review of the continuing connected transactions are also disclosed in the annual report of the Company.
- (6) Any documents and records with respect to connected transactions are required to be maintained and kept properly.

1.2.3 Historical figures

The historical figures of the securities and financial products transactions contemplated under the 2016 Everbright Group Financial Products and Services Framework Agreement between the Group and the Everbright Group and its associates for each of the two financial years ended December 31, 2017 and for the six months ended June 30, 2018 are as follows:

| Securities and Financial Products Transactions | Approximate historical transaction figures | | |
|---|--|----------------|---|
| | for the year ended December 31, 2016 | | for the six months ended June 30, 2017 |
| In ⁽¹⁾ | 60,300 | 111,725 | 43,900 |
| Out ⁽²⁾ | 97,500 | 106,400 | 23,100 |
| Total turnover | 157,800 | 218,125 | 67,000 |

Notes:

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

1.2.4 Annual caps

Due to the nature of the securities and financial products transactions as described below, the Company considers that it is impracticable to set a maximum aggregate annual value for each category of these transactions:

- (1) the volume of the securities and financial products transactions is affected by various external factors, such as economic and market conditions. Fluctuations in the PRC and Hong Kong financial markets may cause fluctuations in the volume of these transactions. Accordingly, the volume of these transactions varies from time to time and from year to year, and reference to historical figures for these transactions may not be a fair indication of the expected aggregate value of the transactions for the next three years;
- (2) each of the securities and financial products transactions is entered into at the prevailing market prices in the ordinary and usual course of the Group's business with high frequency and is market-driven, which is based on, among others, the bidding price and timeliness of the bids. For example, the Company enters into interbank lending transactions and repurchase transactions with counterparties (including the Everbright Group and its associates) in open markets through the National Interbank Funding Center. The prices and process of these transactions are highly transparent. The rates for interbank lending are publicly published, while the interest rate for repurchases are determined in accordance with the benchmark repurchase rate. The Company's counterparties in these transactions are determined primarily by transaction prices and timeliness, instead of by the Company's subjective consideration;
- (3) most of these transactions are entered into in a very short time frame and are very sensitive to market prices. If an annual cap is set for each category of these transactions, it would cause significant delay to such transactions and harm to the Group's existing operations and potential growth to the detriment of the Company and the Shareholders as a whole and restrict the Company's overall competitiveness in a highly competitive securities industry. Strict adherence to the requirement of setting a maximum aggregate annual value for these transactions is impracticable to the Group;
- (4) the Company or its subsidiaries plays a relatively passive role in some of the securities and financial products transactions that the Company or its subsidiaries enters into with the Everbright Group and its associates and as such, it is difficult for the Company or its subsidiaries to estimate the expected aggregate value of these transactions. For example, Everbright Bank invests in the asset management schemes issued by the Company or its subsidiaries with funds from its banking customers. In making such investment decisions, Everbright Bank is free to choose which asset management schemes to invest in, just like any other investors in the market. As a listed company, Everbright Bank exercises independent judgment when making such investment decisions and has adopted internal control measures to monitor its investment decision making. The Company or its subsidiaries has no control over which asset management schemes or financial products Everbright Bank chooses to invest in, as well as the amount of its investments; and

- (5) all such transactions will continue to be entered into at the prevailing market prices in an open market in the ordinary and usual course of the Group's business.

Based on the above reasons, the Company considers that it is more practicable to set annual caps for the total inflow and outflow of the securities and financial products transactions instead.

The Directors of the Company propose that the annual caps of the total inflow and outflow of the securities and financial products transactions under the New Everbright Group Financial Products and Services Framework Agreement between the Group and the Everbright Group and its associates for each of 2019, 2020 and 2021 are as follows:

| Securities and Financial Products Transactions | Proposed annual caps for the year ending December 31, | | |
|---|--|----------------|----------------|
| | 2019 | 2020 | 2021 |
| | <i>(RMB million)</i> | | |
| In ⁽¹⁾ | 230,000 | 280,000 | 340,000 |
| Out ⁽²⁾ | 230,000 | 280,000 | 340,000 |
| Total turnover | 460,000 | 560,000 | 680,000 |

Notes:

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

When estimating the annual caps for the inflow and outflow of these transactions, the Directors of the Company have taken into account, among others, the following factors:

General factors

1. *The financial market in the PRC continues to develop and new securities and financial products are constantly issued*

For example, (a) according to the statistics of the PBOC, the scale of existing social financing in the PRC substantially increased from RMB138.14 trillion as at the end of 2015 to RMB174.71 trillion as at the end of 2017, representing a growth of approximately 26%; (b) according to the information provided by the Wind Info, an independent information service provider, the total issuance size of the bond market in the PRC increased from RMB17.2 trillion in 2015 to RMB32.4 trillion in 2017, representing a growth of approximately 88%; (c) according to the information published by the Asset Management Association of China (中國證券投資基金業協會), the total value of the assets under management by various financial institutions in the PRC also experienced a substantial growth, increasing from approximately RMB38.2 trillion as at December 31, 2015 to approximately RMB53.6 trillion as at December 31, 2017, representing a growth of approximately 40%; (d) since 2015, various innovative debt financing products in the PRC have constantly been launched, the National Equities Exchange and Quotations and the OTC derivatives market also recorded considerable growth, resulting in the emergence of green financial bonds, bonds with attached warrants, perpetual bonds, preference shares, structured notes, OTC options and many trading varieties and the size of business grows continuously; (e) as the opening up of the PRC financial industry accelerates, the financial market structure will further expand, alongside with more diversified financial products, the chances of the securities and financial products transactions as well as the financial services transactions between the Everbright Group together with its associates and the Group will increase.

2. *Rapid growth of business scale of the Everbright Group and the proposal of synergistic strategy*

In recent years, the Everbright Group, the controlling shareholder of the Company, has entered a new phase of reform and development. Through vigorously pushing ahead the Group's linkage and effective integration of business resources, the level of operation and management continuously increased and the business development maintained good momentum with record-high operating results being constantly achieved. In 2015, the Everbright Group was, for the first time, on the Fortune Global 500 list and ranked 420th place, which was published in the Fortune, an American magazine. In 2018, the ranking was up by 98 places to 322th place. As the business scale expands, the number of companies within the Group also increases. Since 2015, the number of companies within the Group has grown from 665 to 920, representing a growth of 38%. Currently, the Everbright Group, which owns a number of listed companies domestically and abroad, has become a large-scale financial holding group across China and overseas, that engages in financial businesses including banking, securities, insurance, asset management, trust, futures, financial leasing as well as industrial businesses including environmental protection, water affairs, garbage incineration power generation, new energy, culture and tourism, pharmaceutical and healthcare.

In 2018, the Everbright Group has newly formulated the Medium and Long-Term Development Strategies of China Everbright Group and at the same time formulated the synergistic substrategy to promote and enhance the Group's linkage work to new heights from administration-driven to strategy-led. From 2019, the Group will focus on areas including organizational structure, working mechanism and technology platform for promoting the implementation of the synergistic substrategy continuously. It is expected that the internal cooperation of the Group will have an unprecedented increase in depth and in width, the scope and size of the connected transactions will all grow substantially.

3. *Expansion of the Group's business scope and introduction of innovative products*

The Group provides extensive financial products and services to its customers. Since 2015, the Group has accelerated the integration of business layout. For example, the Group completed the acquisition of 70% shares of Sun Hung Kai Financial Group Limited in mid-2015; established Everbright Pramerica Assets Management Co., Ltd. in mid-2015; completed the acquisition of 51% equity interests of China Everbright Securities International Limited in mid-2016; and initiated and established Everbright Development Investment Co., Ltd. in mid-2017. In addition, benefiting from the advancement of marketization reform of the PRC financial industry and the increased internationalization degree of the financial market, the Group's scope of business has expanded and the Group has begun engaging in new businesses including panda bonds, green financial bonds, trading of bullion and precious metals, proxy sale of bullion and precious metals, listed company merger and acquisition funds, government industry types funds, private equity fund custody, futures and assets management, designated customer asset management and share option market making. Accordingly, it is expected that the total net inflow and total net outflow of securities and financial products transactions between the Group and the Everbright Group together with its associates will grow substantially.

4. *Increasing cooperation between the securities companies and the banks and investments in each other's financial products*

The liberalization of interest rates in China has led the banking institutions in China to turn to wealth management products to attract deposits from customers. Although the banks in China have good customer networks, they still lack the professional knowledge and experience that the securities companies in China have in aspects of research, investment and settlement management, product design and assets management. In addition, the commercial banks in China are restricted by the PRC laws and regulations to engage in equity investments. The asset management products and funds of the securities companies can therefore provide better investment channels to the commercial banks in China, including direct investment in equity investments.

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

Specific factors and considerations

1. The Group being one of the core financial services platforms of the Everbright Group, along with its continuously deepened cooperation with the Everbright Group together with its associates, will further rely on the customer resources, funds channels, sales capabilities and market influence of the Everbright Group and its associates in the asset management business aspect and fully capitalize on the synergies in consolidated financial services arising from the controlled subsidiaries of the Everbright Group and the business linkage effects to provide customers with a comprehensive range of services.
2. In April 2018, the PBOC, the China Banking and Insurance Regulatory Commission, the CSRC and the State Administration of Foreign Exchange jointly promulgated the Guidance Opinions on Regulating the Asset Management Business of Financial Institutions. Under the new regulatory landscape, the trend of debt financing “transforming non-standard asset to standard asset” in China is very obvious, the Group will thoroughly look for the standardization financing needs of various financial and industrial companies within the Everbright Group and strongly seize the opportunities arising from the historical development opportunity of asset securitization business. As at the end of June 2018, the size of the Company’s existing asset securitization asset management products increased substantially from the end of 2015. During the first half of 2018, the asset backed securities issued by the Company by proxy also increased considerably compared to those in 2015.
3. The Group plans to increase the efforts and depth of market research, strictly control credit risks, proactively grasp the market trends, expand the scale of investments in interest rate securities and highly rated corporate bonds when opportunities arise from a shift of the market, and introduce more neutral arbitrage strategies when there is no obvious tendency in the market. The implementation of such strategy will increase the size of securities and financial products transactions between the Group and the Everbright Group together with its associates.
4. When estimating the annual caps for total net inflow and total net outflow, the Group has considered whether there are historical transactions in respect of a particular type of securities and financial products. Where there are related historical transactions, the Group will calculate the percentage of historical transaction value to the total historical transaction value of that particular product and use the percentage value to calculate the estimated transaction value for the next three years. The percentage value will be adjusted by considering the volatility and growth of the product. Where there is no relevant historical transaction between the Everbright Group and its associates, the Group will consider the total historical transaction value of that particular product, estimate a percentage of transaction between the Everbright Group and its associates by considering the volatility and growth of the product, and use the percentage value to predict the estimated transaction value for the next three years.

1.3 “Securities and Financial Services” under New Everbright Group Financial Products and Services Framework Agreement

1.3.1 Pricing basis for Securities and Financial Services

Apart from the securities and financial products transactions between the Group and the Everbright Group and its associates as mentioned above, the Group and the Everbright Group and its associates also provide securities and financial services to each other during the ordinary and usual course of the Group’s and their respective business, mainly including underwriting and sponsorship services, securities brokerage services, proxy sale of financial products services and entrusted asset management services, advisory and consulting services, deposits, client deposits managements services and loan services. The Group charges a service fee, commissions and other fees for the securities and financial services provided by the Group to the Everbright Group and its associates, and the subsidiary financial institutions of the Everbright Group also charge a service fee for the provision of securities and financial services to the Group.

The pricing principles for various securities and financial services under the New Everbright Group Financial Products and Services Framework Agreement are as follows:

- (1) **underwriting and sponsorship services** – the securities underwriting and sponsorship services market is highly competitive and the commission rates and fees have become generally transparent and standardized across the market. The commission rates and fees charged to the Everbright Group and its associates by the Company are determined based on arm’s length negotiation with reference to factors including the prevailing market rates for offerings of a similar type and the amount of proceeds raised from the offering.
- (2) **securities brokerage services** – the commission rates for these services have become generally transparent and standardized across the market. The commission rates are determined based on arm’s length negotiation with reference to the prevailing market rates for securities, which, for trading of A shares on the SSE and B shares on the Shenzhen Stock Exchange, cannot exceed 0.3% of the amount of the relevant securities trade or lower than the relevant fees paid to the relevant securities exchange, or futures sales or trades of a similar type and the amount of the sale or trade.
- (3) **proxy sale of financial products services and entrusted asset management services** – the commission fees charged for proxy sale of financial products services are determined with reference to the prevailing market rates, the type of products being sold and the frequency the particular investor engages in transactions with the Company, while the distribution fees for proxy sale of financial products services are determined with reference to market rates for distribution of similar products by banks and other financial institutions, the fee rate of which generally range from 0.2% to 1%. The fees charged for entrusted asset management services are determined based on arm’s length negotiation with reference to factors including the prevailing market rates, the amount of the products being sold or the size of the assets entrusted and the complexity of the particular service provided. The market rates for these services are generally transparent across the market.

- (4) **advisory and consulting services** – fees for such services are determined based on arm's length negotiation with reference to the prevailing market rates for transactions of similar type and size.
- (5) **interest rates on deposits** – interest rates for the Group's deposits shall not be lower than the interest rates authorized by the PBOC for the same type of deposits offered by the commercial banks in the PRC during the same period and shall not be lower than the interest rates for the same type of deposits by other customers of Everbright Bank.
- (6) **client deposits management services** – fees for such services are determined based on arm's length negotiation with reference to the prevailing market rates.
- (7) **loan services** – fees for loan services are determined based on the loan interest published by the PBOC for the same period.

1.3.2 Pricing approval and supervision

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

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

- (1) The terms (including pricing terms) in respect of the securities and financial services contemplated under the New Everbright Group Financial Products and Services Framework Agreement shall be comparable to those offered by/to an independent third party for comparable services, and shall be subject to the same internal selection, approval and supervision procedures and pricing policies applicable to an independent third party.
- (2) Before confirming the pricing of products or services offered to or quoted by the Everbright Group or its associates, the Group would refer to the pricing offered to or quoted by two or more independent third parties for contemporaneous transactions in similar quantities to determine if the prices and terms offered to or quoted by the Everbright Group or its associates are fair, reasonable and no less favorable than those quoted by independent third parties to us or no more favorable than those offered by the Group to independent third parties, as the case may be.
- (3) For offer or sale of securities or financial products to ten or more customers, including no more than two who are our connected persons, we shall ensure all connected and non-connected parties are offered the same pricing terms.

- (4) The relevant management departments of the Company also collect data from the relevant business departments and review the actual transaction amounts of different types of securities and financial products transactions on a regular or ad hoc basis to ensure that the annual caps would not be exceeded and remind the business departments on the control of such connected transactions.
- (5) The continuing connected transactions are also subject to annual review by all independent non-executive Directors, the Audit Department of the Company and the auditors of the Company. The review results of the independent non-executive Directors and auditors of the Company on annual review of the continuing connected transactions are also disclosed in the annual report of the Company.
- (6) All documents and records with respect to connected transactions are required to be maintained and kept properly.

1.3.3 Historical figures

The historical figures of the securities and financial services contemplated under the 2016 Everbright Group Financial Products and Services Framework Agreement between the Group and the Everbright Group and its associates for each of the two financial years ended December 31, 2017 and for the six months ended June 30, 2018 are as follows:

| Securities and Financial Services | Approximate historical transaction figures | | |
|---|---|-------------|---------------------|
| | for the year ended | | for the six |
| | December 31, | 2017 | months ended |
| | 2016 | 2017 | June 30, |
| | <i>(RMB million)</i> | | 2018 |
| Revenue generated by the Group from provision of securities and financial services to the Everbright Group and its associates | 338.5 | 320.4 | 105.9 |
| Fees paid by the Group to the Everbright Group and its associates for their provision of securities and financial services | 119.0 | 117.1 | 43.3 |

1.3.4 Annual caps

The Directors of the Company propose the annual caps for the continuing connected transactions in respect of the mutual provision of securities and financial services between the Group and the Everbright Group and its associates for each of 2019, 2020 and 2021 as follows:

| Securities and Financial Services | Proposed annual caps for the three years ending December 31, | | |
|---|---|---------|---------|
| | 2019 | 2020 | 2021 |
| | <i>(RMB million)</i> | | |
| Revenue to be generated by the Group from provision of securities and financial services to the Everbright Group and its associates | 950.0 | 1,050.0 | 1,200.0 |
| Fees to be paid by the Group to the Everbright Group and its associates for their provision of securities and financial services | 250.0 | 290.0 | 330.0 |

(1) Revenue

When estimating the annual caps for the revenue to be received from provision of securities and financial services to the Everbright Group and its associates, the Directors have based the estimates on the historical figures in 2016, 2017 and for the six months ended June 30, 2018. In addition, the Directors have considered, among other things, the following key factors:

- (1) As one of the core financial services platforms of the Everbright Group, it is expected that the Group will continue to provide Everbright Group and its associates with underwriting services with respect to the issuance of equity related and debt related financing tools. With the expansion of the business scope and business scale of the companies within Everbright Group and the continuously increasing varieties of financial services, it is expected that the business scale and revenue level of the financing activities of the Everbright Group and its associates which the Group participates in the coming three years will grow substantially;
- (2) With the business expansion of the associates of the Everbright Group including Everbright Bank, Sun Life Everbright Life Insurance Co., Ltd., Everbright Limited and China Everbright International Limited, etc., the Group expects that the number of trading seats leased thereto and these companies' transaction scale and revenue level achieved through the Group will grow substantially;

- (3) With the continuous expansion of business scale of Everbright Fortune International Leasing Co., Ltd., a subsidiary of the Group, it is expected that the Group will engage in increasingly more finance leasing business with the Everbright Group and its associates, as a result of which the revenue from finance leasing business generated from the Everbright Group and its associates is expected to grow substantially;
- (4) The types and size of asset management products, which are invested by the Everbright Group and its associates and managed by the Group, will expand and the types of products include but not limited to securities investment funds, private equity investment funds, collective asset management schemes, targeted asset management schemes, designated asset management schemes and futures asset management schemes, etc. Accordingly, it is expected that the aggregate size of fixed management fees and performance-based management fees will grow substantially;
- (5) Considering the expertise of the Group in providing research, investment advice and investment management, and with the increasing cooperation between the Group and the Everbright Group together with its associates as well as the expansion of the Group's business and launch of new businesses, the Group expects that there could be substantial growth in the advisory and consultation fees from the Everbright Group and its associates for provision of investment advisory and consulting services.

(2) Fees

When estimating the annual caps for the fees to be paid to the Everbright Group and its associates for provision of securities and financial services, the Directors have based the estimates on the historical figures in 2016, 2017 and for the six months ended June 30, 2018. In addition, the Directors have considered, among other things, the following key factors:

- (1) A number of subsidiaries of the Company, including Shanghai Everbright Securities Asset Management Co., Ltd., Everbright Pramerica, Everbright Futures Co., Ltd., Everbright Capital Investment Co., Ltd., Everbright Sun Hung Kai Limited are engaged in asset management related services. With the development of asset management related business, the Group will strengthen the cooperation with the subsidiaries of the Everbright Group including Everbright Bank (as the sales channel of asset management products). Accordingly, it is expected that the service fees for proxy sale of financial products to be paid by the Group to the Everbright Group and its associates will grow substantially.
- (2) With the further expansion of the Group's business and the potential launch of new products/businesses, the Group and the Everbright Group and its associates will cooperate in an increasing number of areas, such as investment banking, brokerage, asset management, financial advisory services, distribution of financial products and other innovative businesses by providing more value-added services. Expenses to be paid by the Group to the Everbright Group and its associates are expected to grow substantially.

- (3) For the three years ending December 31, 2021, it is expected that the number of employees of the Group will increase due to its business expansion, resulting in an increase in employee insurance expenses. Accordingly, it is expected that the insurance expenses with respect to the insurance services to be paid by the Group to the subsidiary of the Everbright Group engaging in insurance business will grow substantially.

In addition, the proposed annual caps have taken into account the inflation factor and on the principal assumptions that, for the duration of the projected period, there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which may materially affect the Group's businesses and those of the Everbright Group and its associates during the term of the New Everbright Group Financial Products and Services Framework Agreement.

1.4 Waiver Application

In the ordinary course of the business of the Group, the Group deposits its proprietary funds and customers' funds with Everbright Bank (a connected person of the Company). Reference is made to the prospectus on the global offering of H Shares of the Company dated August 8, 2016, which disclosed the application to the Hong Kong Stock Exchange for a waiver to set a maximum daily deposit limit on the deposits of the Group's proprietary funds and customers' funds placed with Everbright Bank (a connected person of the Company) during the application for the listing of H Shares of the Company, and the Hong Kong Stock Exchange has granted the Company a waiver from strict compliance with the maximum daily balance requirements set out in Rule 14A.53 of the Hong Kong Listing Rules.

Given such waiver will expire on December 31, 2018, the Company has again applied to the Hong Kong Stock Exchange for a waiver from strict compliance with the maximum daily balance of the deposits as required under Rule 14A.53 of the Hong Kong Listing Rules. The Hong Kong Stock Exchange is yet to grant the Company such a waiver. If the Hong Kong Stock Exchange does not approve the waiver application, the Board of Directors has agreed to ratify, confirm and approve the management of the Company to set a maximum daily deposit limit on the deposits of the Group's proprietary funds and the customers' funds placed with Everbright Bank in accordance with the applicable laws and regulations, the Hong Kong Listing Rules, the requirements of the competent regulatory authorities and the actual situation of the Group.

1.5 Reasons for and Benefits of Renewal of the New Everbright Group Financial Products and Services Framework Agreement

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

- (1) The securities and financial products transactions and securities and financial services transactions under the New Everbright Group Financial Products and Services Framework Agreement are and will be conducted in the ordinary and usual course of business of the Group. Such transactions will continue to be agreed on arm's length basis with terms that are fair and reasonable to the Company. Due to the historical and future long-term cooperation relationship between the Group and the Everbright Group and its associates, the Directors believe that it is beneficial to the Group to renew the New Everbright Group Financial Products and Services Framework Agreement with the Everbright Group as the transactions thereunder have facilitated and will continue to facilitate the overall business operations and growth of the Group's business.

- (2) These transactions will provide cost synergies by integrating advantageous resources between the Group and the Everbright Group and its associates, thereby reducing the aggregate operational costs and general expenses so as to improve the profitability and to strengthen leading position of the Company in the securities industry.
- (3) Further, such continuing connected transactions will enable the Everbright Group and its associates to develop a deeper understanding in the operations of the Group, which in turn will render them more expedient and efficient services and/or product provisions to the Group when compared to those services and/or products provided by independent third parties.

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

2. NON-FINANCIAL MISCELLANEOUS SERVICES FRAMEWORK AGREEMENT

2.1 Background

In the course of ordinary business, the Everbright Group and its associates provide certain non-financial services to the Group, and the Group expects that it will provide certain non-financial services to the Everbright Group and its associates. The non-financial miscellaneous services provided by the Everbright Group and its associates to the Group include, but not limited to, information technology and Internet network services, conference services, title sponsor services, network maintenance, printing and publication, books and audio/video products, renovation, training, medical care, corporate travel management, advertising and promotion, property management, consultancy services, labor outsourcing related services and other non-financial services. The non-financial miscellaneous services to be provided by the Group to the Everbright Group and its associates include, but not limited to, information technology and Internet network services, lease of advertising places, logistics, warehouse, consultancy services, labor outsourcing and other non-financial miscellaneous services. To comply with the requirements of the Hong Kong Listing Rules, the Company will enter into a non-financial miscellaneous services framework agreement (the “**Everbright Group Non-financial Miscellaneous Services Framework Agreement**”) with the Everbright Group, pursuant to which, the Everbright Group and the Group will mutually provide certain non-financial miscellaneous services during the valid period of the Everbright Group Non-financial Miscellaneous Services Framework Agreement. The Everbright Group Non-financial Miscellaneous Services Framework Agreement shall be valid from January 1, 2019 to December 31, 2021.

2.2 Pricing basis

The pricing of mutual provision of non-financial miscellaneous services between the Group and the Everbright Group and its associates shall be determined based on arm's length negotiation between the parties in accordance with the relevant laws and regulations and on normal commercial terms which are no less favorable than those obtained by/offered to the independent third parties with respect to such services.

2.3 Pricing approval and supervision

To ensure that the transactions under the Everbright Group Non-financial Miscellaneous Services Framework Agreement above are conducted on normal commercial terms or on terms no less favorable than terms applicable to independent third parties, the Company has adopted additional internal control policies, including:

- (1) Before confirming the pricing of the transactions by the relevant departments and subsidiaries of the Company with the Everbright Group or its associates, the Group shall refer to the pricing offered to or quoted by two or more independent third parties for contemporaneous transactions in similar quantities to determine if the pricing and terms for the relevant transaction are fair, reasonable and no less favourable than those quoted by independent third parties to the Group or no more favourable than those offered by the Group to independent third parties, as the case may be.
- (2) The relevant departments and subsidiaries of the Company shall take the responsibility to prove that the connected transactions are entered into on normal commercial terms or on terms no less (more) favourable to those obtained or provided by independent third parties, and provide relevant evidence materials according to the requirements of the Working Group of the Related-party/Connected Transactions of the Company.
- (3) If the aforesaid pricing quoted by or offered to independent third parties cannot be obtained for a particular transaction, the relevant connected transaction will need to be separately considered. The relevant departments and subsidiaries of the Company shall state the specific reasons to the Working Group of the Related-party/Connected Transactions of the Company and elaborate on the necessity of the connected transactions and the fairness of pricing.
- (4) Any documents and records with respect to connected transactions are required to be maintained and kept properly.

2.4 Historical figures

A breakdown of the approximate historical transaction figures in respect of the provision of non-financial miscellaneous services by the Everbright Group and its associates to the Group for two years ended December 31, 2017 and the six months ended June 30, 2018 is as follows:

| Non-financial Miscellaneous Services | Approximate historical transaction figures | | |
|---|--|--|---|
| | for the year ended December 31, 2016 | for the year ended December 31, 2017 | for the six months ended June 30, 2018 |
| | <i>(RMB million)</i> | | |
| Fees paid by the Group to the Everbright Group and its associates for their provision of non-financial miscellaneous services | 0.05 | 1.4 | 0.69 |

2.5 Annual caps

The Directors of the Company estimate the annual caps for the continuing connected transactions in respect of the mutual provision of non-financial miscellaneous services between the Group and the Everbright Group and its associates for 2019, 2020 and 2021 as follows:

| Non-financial Miscellaneous Services | Proposed annual caps | | |
|--|---|---|---|
| | for the three years ending December 31, 2019 | for the three years ending December 31, 2020 | for the three years ending December 31, 2021 |
| | <i>(RMB million)</i> | | |
| Revenue to be received by the Group for the provision of non-financial miscellaneous services to the Everbright Group and its associates | 3.0 | 4.0 | 5.0 |
| Fees to be paid by the Group to the Everbright Group and its associates for their provision of non-financial miscellaneous services | 69.0 | 86.0 | 100.0 |

When estimating the annual caps for the transactions contemplated under the Everbright Group Non-financial Miscellaneous Services Framework Agreement, the Directors have based the estimates on the historical figures in 2016, 2017 and for the six months ended June 30, 2018. In addition, the Directors have considered, among other things, the following key factors:

- (1) In the ordinary course of business, the Group may from time to time provide information technology and Internet services and non-financial advisory services to the Everbright Group and its associates, and the provision of such services may generate revenue.
- (2) According to the IT strategic plans newly formulated by the Everbright Group, it will provide higher quality information technology services to the companies within the Group. Accordingly, it is expected that there will be a growth in respect of the information technology and Internet services provided by the Everbright Group and its associates to the Group so as to improve the information technology system of the Company and the inter-connection between the information technology system of the Company and that of the Everbright Group.
- (3) Given the expansion of the Group's business, the number of meetings of the Group will increase substantially and the Group may lease more venues from the Everbright Group and its associates on a more frequent basis and the Everbright Group and its associates will also provide the relevant conferencing services to the Group.
- (4) Prior to 2018, China Youth Travel Group Limited (中國青旅集團公司) (“**China Youth Travel**”) was not merged into the Everbright Group and independent third parties provided travel services to the Group. Considering the recent merger of China Youth Travel into the Everbright Group, in order to fully play the synergistic effect of various business lines among the enterprises within the Everbright Group, provided that the terms and conditions offered by China Youth Travel to the Group is on normal commercial terms or better, it is expected that China Youth Travel will assume the business of provision of travel services to the Group. At the same time, given the expansion of the Group's business, it is expected that the costs to be incurred by the Group in relation to business travel will grow substantially. Therefore, it is expected that the fees paid by the Group to the Everbright Group and its associates in respect of the business travel services will increase substantially.

In addition, in arriving at the above proposed annual caps, the Directors have also taken into account the inflation factor, and were based on the assumptions that, during the term of the Everbright Group Non-financial Miscellaneous Services Framework Agreement, there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which may materially affect the businesses of the Group and those of the Everbright Group and/or its associates.

2.6 Reasons for and Benefits of Entering into the Everbright Group Non-financial Miscellaneous Services Framework Agreement

The reasons for and benefits of entering into the Everbright Group Non-financial Miscellaneous Services Framework Agreement between the Group and the Everbright Group are as follows:

- (1) Due to the historical and future long-term cooperation relationship between the Group and the Everbright Group and its associates as well as the wide scope of industries in which the Everbright Group and its associates are engaged in, including finance, environmental protection, cultural and travel, pharmaceutical and etc., the services described in the service scope of the Everbright Group Non-financial Miscellaneous Services Framework Agreement could be provided to/by the Everbright Group and its associates during the ordinary course of business and operation of the Company.
- (2) These transactions will provide cost synergies by integrating advantageous resources between the Group and the Everbright Group and its associates, thereby reducing the aggregate operational cost and general expenses so as to further improve the profitability and the leading position of the Company in the securities industry.
- (3) Further, such transactions will provide the Everbright Group and its associates opportunities to better understand the operations of the Company, which in turn will enable the Everbright Group to render more expedient and efficient service and/or product provision to the Company when compared to those services and/or products provided by independent third parties.

The Directors (including the independent non-executive Directors) are of the view that transactions under the proposed Everbright Group Non-financial Miscellaneous Services Framework Agreement will be conducted on normal commercial terms, and the terms and conditions therein as well as the proposed annual caps for the continuing connected transactions contemplated thereunder are fair and reasonable, and are in the interests of the Company and its Shareholders as a whole.

3. RENEWAL OF PROPERTY LEASING FRAMEWORK AGREEMENT

3.1 Background of Property Leasing Framework Agreement

In the course of ordinary business of the Group, the Group have leased certain properties from the Everbright Group and its associates for the Group's offices and business uses. The Everbright Group and its associates have also leased certain properties from the Group mainly for their business operations. To comply with the requirements of the Hong Kong Listing Rules, the Company and the Everbright Group entered into a property leasing framework agreement (the "**2016 Everbright Group Property Leasing Framework Agreement**") in August 2016 prior to the listing of H Shares on the Hong Kong Stock Exchange. The 2016 Everbright Group Property Leasing Framework Agreement shall be valid until December 31, 2018.

The Company expects that the Group will continue to lease certain properties from the Everbright Group and its associates, and the Everbright Group and its associates will also continue to lease certain properties from the Group. In view of this and taking in to account the expiry of the 2016 Everbright Group Property Leasing Framework Agreement on December 31, 2018, the Company proposes to renew the property leasing framework agreement between the Company and the Everbright Group on the basis of the 2016 Everbright Group Property Leasing Framework Agreement (the "**New Everbright Group Property Leasing Framework Agreement**") for a term of three years commencing from January 1, 2019 to December 31, 2021.

3.2 Major Terms of New Everbright Group Property Leasing Agreement

The major terms of New Everbright Group Property Leasing Agreement are set out below:

- (1) The rental shall be determined based on the market rent applicable to the leased property.
- (2) The Company or its subsidiaries and the Everbright Group or its related associates shall enter into separate agreements to set out the specific terms and conditions in respect of the relevant leased property according to the principles, and within the parameters, provided for under the New Everbright Group Property Leasing Framework Agreement.
- (3) The Company or its subsidiaries and the Everbright Group and its associates are entitled to lease additional gross floor area from and among the available properties owned by the other party during the term of the New Everbright Group Property Leasing Framework Agreement, and adjust the rental accordingly.
- (4) Either party may, at any time before the New Everbright Group Property Leasing Framework Agreement expires, by giving not less than three months' written notice, to terminate any lease made pursuant to and contemplated under such agreement, and the rental will be reduced accordingly.

3.3 Pricing basis

The pricing of mutual property leasing between members of the Group and the Everbright Group and its associates shall be negotiated by the parties on a fair and reasonable basis with reference to the prevailing market rent applicable to the place where the leased property is located (being the rental received by the independent third parties in the ordinary course of business on normal commercial terms for the provision of similar type of leased property in the same region). In addition, the parties are entitled to lease additional gross floor area from and among the available properties of the other party and its members during the term of the agreement and adjust the rental.

3.4 Pricing approval and supervision

To ensure the aforesaid New Everbright Group Property Leasing Framework Agreement is entered into on normal commercial terms or on terms no less favourable than terms applicable to independent third parties, the Company has taken additional internal control measures, including the following:

- (1) Before confirming the pricing of the transactions by the Group with the Everbright Group or its associates, the Group shall refer to the pricing offered to or quoted by two or more independent third parties for contemporaneous transactions in similar quantities to determine if the pricing and terms for the relevant transaction are fair, reasonable and no less favourable than those quoted by independent third parties to the Group or no more favourable than those offered by the Group to independent third parties, as the case may be.
- (2) The relevant departments of the Group shall take the responsibility to prove that the connected transactions are entered into on normal commercial terms or on terms no less (more) favourable to those obtained or provided by independent third parties, and provide relevant evidence materials according to the requirements of the Working Group of the Related-party/Connected Transactions of the Company.
- (3) If the aforesaid pricing quoted by or offered to independent third parties cannot be obtained for a particular transaction, the relevant connected transaction will need to be separately considered. The relevant departments of the Group shall state the specific reasons to the Working Group of the Related-party/Connected Transactions of the Company and elaborate on the necessity of the connected transactions and the fairness of pricing.
- (4) Any documents and records with respect to connected transactions are required to be maintained and kept properly.

3.5 Historical figures

A breakdown of the approximate historical transaction figures in respect of the rent received from and paid to the Everbright Group and its associates by the Group for two years ended December 31, 2017 and the six months ended June 30, 2018 is as follows:

| Property Leasing | Approximate historical transaction amounts | | |
|---|---|-------------|-------------------------------------|
| | for the year ended December 31, | | for the six months ended |
| | 2016 | 2017 | June 30, 2018 |
| | <i>(RMB million)</i> | | |
| Rental income received from the Everbright Group and its associates for the leased property | 3.5 | 3.3 | 1.7 |
| Rental expenses incurred by the Everbright Group and its associates for the leased property | 15.9 | 16.7 | 9.6 |

3.6 Annual caps

Based on the estimate of the Directors of the Company, the annual caps for the rent receivable from or payable to the Everbright Group and its associates by the Group under the New Everbright Group Property Leasing Framework Agreement for 2019, 2020 and 2021 are as set out below. These caps are inclusive of management fees relating to the relevant leased properties (if any):

| Property Leasing | Annual caps | | |
|---|---|-------------|-------------|
| | for the year ending December 31, | | 2021 |
| | 2019 | 2020 | |
| | <i>(RMB million)</i> | | |
| Rental income to be received from the Everbright Group and its associates for the leased property | 6.0 | 6.9 | 8.0 |
| Rental expenses to be incurred by the Everbright Group and its associates for the leased property | 40.0 | 46.0 | 55.0 |

(1) *Rental to be received from the Everbright Group and its associates*

When estimating the annual caps for the rental income to be received from the Everbright Group and its associates, the Directors have taken into account the above historical figures and also considered, among other things, the following key factors:

- (1) The Everbright Group and its associates will continue to lease more gross floor area from the Group in the three years ending December 31, 2021, considering the potential expansion of the business of the Everbright Group and its associates in the PRC.
- (2) The potential increase in market rental for commercial properties for the three years ending December 31, 2021.

(2) *Rental to be incurred by the Group*

When estimating the annual caps for the rental expenses to be incurred by the Group, the Directors have taken into account the above historical figures and also considered, among other things, the following key factors:

- (1) The potential demand for office spaces arising from potential expansion of the Group's businesses in the PRC, Hong Kong and overseas. The Group expects that it will set up a relatively large number of new brokerage branches in the three years ending December 31, 2021.
- (2) the potential increase in market rental for commercial properties for the three years ending December 31, 2021.

4. IMPLICATIONS OF HONG KONG LISTING RULES

(1). Connected persons involved:

| Connected person | Relationship with the Group |
|-------------------------|--|
| Everbright Group | : As at the date of this announcement, Everbright Group is directly interested in 1,159,456,183 A Shares of the Company, representing 25.15% of the total issued share capital of the Company; and is indirectly interested in 982,250,000 A Shares of the Company, representing 21.30% of the total issued share capital of the Company. Accordingly, the Everbright Group is the controlling shareholder of the Company, and the Everbright Group and its associates are connected persons of the Company. |
| Everbright Bank | : Everbright Bank is a consolidated subsidiary of Everbright Group and accordingly, is an associate of the Everbright Group, which in turn is a connected person of the Company |

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

(2). Implications of the Framework Agreements under Hong Kong Listing Rules

(1) *New Everbright Group Financial Products and Services Framework Agreement*

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

The Company has again applied to the Hong Kong Stock Exchange for a waiver from strict compliance with the maximum daily balance of the deposit limit of the Group's proprietary funds and customers' funds placed with Everbright Bank as required under Rule 14A.53 of the Hong Kong Listing Rules. The Hong Kong Stock Exchange is yet to grant the Company such a waiver. If the Hong Kong Stock Exchange does not approve the waiver application, the Board of Directors has agreed to ratify, confirm and approve the management of the Company to set a maximum daily deposit limit on the deposits of the Group's proprietary funds and the customers' funds placed with Everbright Bank in accordance with the applicable laws and regulations, the Hong Kong Listing Rules, the requirements of the competent regulatory authorities and the actual situation of the Group.

(2) *Everbright Group Non-financial Miscellaneous Services Framework Agreement*

As the highest of the applicable percentage ratios in respect of the proposed annual caps for the continuing connected transactions contemplated under the Everbright Group Non-financial Miscellaneous Services Framework Agreement for the three years ending December 31, 2021 exceed 0.1% but are less than 5%. Accordingly, such continuing connected transactions are subject to the reporting, announcement and annual review but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

(3) *New Everbright Group Property Leasing Framework Agreement*

As the highest of the applicable percentage ratios in respect of the proposed annual caps for the continuing connected transactions contemplated under the New Everbright Group Property Leasing Framework Agreement for the three years ending December 31, 2021 exceed 0.1% but are less than 5%. Accordingly, such continuing connected transactions are subject to the reporting, announcement and annual review but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

(1) Mr. Xue Feng, the Chairman and an executive Director of the Company; (2) Mr. Ju Hao, a non-executive Director of the Company, being a director of the Everbright Group; (3) Mr. Yan Jun, a non-executive Director of the Company, being the executive deputy director and officer of deepening reform of the Central Leading Group for Comprehensive Reforms of Everbright Group; (4) Mr. Song Bingfang, a non-executive Director of the Company, being the deputy director of the office of the Board of Directors of Everbright Group; (5) Mr. Yin Lianchen, a non-executive Director of the Company, being an executive director, chief investment officer and a member of the management decision committee, executive committee and strategy committee of Everbright Limited, a subsidiary of the Everbright Group; and (6) Mr. Chan Ming Kin, a non-executive Director of the Company, being the chief legal advisor, company secretary and a member of the Investment Decision Committee of Everbright Limited, are deemed to have a material interest in all of the above continuing connected transactions to be contemplated between the Group and the Everbright Group and have abstained from voting with respect to the relevant resolutions at the Board meeting. Save as disclosed above, no other Directors have a material interest in such transactions and therefore are not required to abstain from voting with respect to the relevant resolutions at the Board meeting.

5. GENERAL

5.1 Information about Everbright Group

Everbright Group is a state-owned enterprise incorporated under the PRC laws on November 12, 1990. On December 8, 2014, the Everbright Group was converted into a joint stock company and renamed as “China Everbright Group Ltd.”. The Everbright Group, which owns a number of listed companies domestically and abroad, has become a large-scale financial holding group across the domestic territory and abroad, that engages in financial businesses including banking, securities, insurance, asset management, trust, futures, financial leasing as well as industrial businesses including environmental protection, water affairs, garbage incineration power generation, new energy, culture and tourism, pharmaceutical and healthcare.

In 2015, the Everbright Group was ranked among Fortune Global 500 Firms for the first time, taking the 420th place. In 2018, the ranking was up by 98 places to the 322nd place.

5.2 Information about the Group

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

6. EXTRAORDINARY GENERAL MEETING

The Company will convene an extraordinary general meeting for the purposes of, among other things, obtaining the Independent Shareholders' approval (if applicable) for the New Everbright Group Financial Products and Services Framework Agreement and the proposed annual caps for the continuing securities and financial products transactions and securities and financial services contemplated thereunder. The Everbright Group and its associates will abstain from voting on the relevant resolutions.

The Independent Board Committee, comprising all the independent non-executive Directors of the Company, has been formed to advise the Independent Shareholders on the terms of the proposed New Everbright Group Financial Products and Services Framework Agreement and the proposed annual caps for the continuing securities and financial products transactions and securities and financial services contemplated thereunder.

Gram Capital has also been appointed by the Independent Board Committee of the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the aforesaid matters.

A circular containing further details of the New Everbright Group Financial Products and Services Framework Agreement, a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders and a letter from the Independent Board Committee to the Independent Shareholders on the same and its recommendation on voting, on the proposed terms of the New Everbright Group Financial Products and Services Framework Agreement and the proposed annual caps of the transactions contemplated thereunder, will be despatched to the Shareholders in due course.

7. DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the meanings set out below:

| | |
|---------------------------------|--|
| “A Shareholders” | holders of A Shares |
| “A Shares” | domestic shares of the Company with a nominal value of RMB1.00 each, which are listed on the SSE and traded in RMB |
| “Articles of Association” | the articles of association of the Company |
| “associate(s)” | has the meaning ascribed thereto under the Hong Kong Listing Rules |
| “Board” or “Board of Directors” | the board of directors of the Company |
| “Company Law” | Company Law of the People’s Republic of China |
| “Company” | Everbright Securities Company Limited (光大證券股份有限公司), a joint stock company incorporated in the PRC with limited liability and whose H Shares and A Shares are listed on the main board of the Hong Kong Stock Exchange (stock code: 6178) and the SSE (stock code: 601788), respectively |
| “CSRC” | China Securities Regulatory Commission |
| “Director(s)” | directors of the Company |
| “Everbright Bank” | China Everbright Bank Co., Ltd. (中國光大銀行股份有限公司), a company incorporated under the laws of the PRC on June 18, 1992 and converted into a joint stock company with limited liability in 1997. Its A shares are listed on the SSE (stock code: 601818) and its H shares are listed on the Hong Kong Stock Exchange (stock code: 6818). Everbright Bank is a subsidiary of the Everbright Group due to consolidation of their financial statements and, therefore will be a connected person of the Company |
| “Everbright Group” | China Everbright Group Corporation Limited (中國光大集團股份公司) (previously known as China Everbright Group Limited (中國光大(集團)總公司)), a state-owned company incorporated under the laws of the PRC on November 12, 1990 and a controlling shareholder of the Company. The Everbright Group was converted into a joint stock company and renamed China Everbright Group Corporation Limited (中國光大集團股份公司) on December 8, 2014 |

| | |
|--|--|
| “Everbright Limited” | China Everbright Limited (中國光大控股有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 165) and is the second largest shareholder of the Company |
| “Everbright Pramerica” | Everbright Pramerica Fund Management Co., Ltd. (光大保德信基金管理有限公司), a controlled subsidiary of the Company |
| “Group” | the Company and its subsidiaries |
| “Hong Kong Listing Rules” | the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended from time to time |
| “H Shareholders” | holders of H Shares |
| “H Shares” | ordinary shares of the Company with a nominal value of RMB1.00 each, which are issued outside the PRC, listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars (stock code: 6178) |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Hong Kong Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “HK dollars” or “HKD” | the lawful currency of Hong Kong |
| “Independent Board Committee” | an independent board committee comprising all Independent non-executive Directors (namely Mr. Xu Jingchang, Mr. Xiong Yan, Mr. Li Zheping and Mr. Au Sing Kun) has been formed to give advice to Independent Shareholders with respect to the proposed New Everbright Group Financial Products and Services Framework Agreement and the proposed annual caps for the continuing connected transactions contemplated thereunder |
| “Independent Directors” or “Independent non-executive Directors” | the independent non-executive Directors of the Company |
| “Independent Financial Adviser” or “Gram Capital” | Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Hong Kong Securities and Futures Ordinance, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of New Everbright Group Financial Products and Services Framework Agreement and the proposed annual caps for the continuing connected transactions contemplated thereunder |

| | |
|----------------------------|---|
| “Independent Shareholders” | those Shareholders who are not required to abstain from voting at the extraordinary general meeting with respect to the resolutions to be proposed with respect to New Everbright Group Financial Products and Services Framework Agreement and the proposed annual caps for the continuing connected transactions contemplated thereunder (other than Everbright Group and its associates) |
| “RMB” | the lawful currency of the PRC |
| “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 |
| “SSE” | Shanghai Stock Exchange |
| “Wind Info” | Wind Information Co., Ltd. (萬得信息技術股份有限公司), a company with limited liability incorporated in the PRC in 1994 and an integrated service provider of financial data, information and software |

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

Shanghai, the PRC
August 28, 2018

As at the date of this announcement, the Board comprises Mr. Xue Feng (Chairman, Executive Director), Mr. Ju Hao (Non-executive Director), Mr. Yan Jun (Non-executive Director), Mr. Song Bingfang (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).