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

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

(Stock Code: 6178)

**DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION
PERFORMANCE OF PUT OPTION BY THE COMPANY'S SUBSIDIARY**

**PERFORMANCE OF PUT OPTION BY THE COMPANY'S SUBSIDIARY (THE
"TRANSACTION")**

Reference is made to the disclosure in the prospectus of the Company dated August 8, 2016 (the "**Prospectus**") in respect of, inter alia, the Company's acquisition of 70% equity interest in SHKFGL from SHKC in 2015 (the "**Acquisition**"). In 2015, in order to implement the internationalization strategy and realize the integrated and coordinated development of domestic and overseas businesses, the Company's wholly-owned subsidiary, Everbright Securities Financial Holdings Limited (the "**ESFH**"), acquired 70% equity interest of Sun Hung Kai Financial Group Limited (the "**SHKFGL**"). SHKFGL is a BVI company which holds 100% equity interests of Everbright Sun Hung Kai Company Limited (the "**EBSHK**"). According to the 2015 Shareholders' Agreement and relevant supporting legal documents entered between ESFH and Sun Hung Kai & Co. Limited (the "**SHKC**"), SHKC is entitled to the Put Option and other relevant rights. Currently, based on the negotiation on arm's length basis, ESFH and SHKC have reached an agreement on the arrangement for exercising the put option for mutual benefit.

On November 17, 2020, ESFH and SHKC have entered into a series of agreements, namely the Amended and Restated Shareholders' Agreement, the Agreement for Repurchase and Subscription of Shares, the Amended and Restated Trade Mark Licence Agreement, the Deed of Release, and the Loan Receivables Charge Agreement, which provide matters about the exercise of the Put Option, non-competition undertaking and use of trademarks, etc.

IMPLICATIONS OF THE LISTING RULES

Given that the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Transaction, which is profits ratio, exceeds 5% but is less than 25%, the Transaction constitutes a disclosable transaction of the Company under Chapter 14 of the Listing Rules, and subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

As of the date of this announcement, SHKC holds 30% equity interest in SHKFGL, a non-wholly owned subsidiary of the Company. Hence, SHKC is a connected person of the Company at subsidiary level, and therefore the Transaction constitutes connected transaction of the Company under Chapter 14A of the Listing Rules. The highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Transaction exceeds 1% but is less than 5%. Hence, the Transaction is subject to the reporting and announcement requirements but is exempt from shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE PERFORMANCE OF PUT OPTION BY THE COMPANY'S SUBSIDIARY

Reference is made to the disclosure in the prospectus of the Company dated August 8, 2016 (the "**Prospectus**") in respect of, inter alia, the Company's acquisition of 70% equity interest in SHKFGL from SHKC in 2015 (the "**Acquisition**"). On June 2, 2015, ESFH acquired 70% equity interest of SHKFGL, and the relevant parties completed the closing of the corresponding shares and entered into 2015 Shareholders' Agreement and the relevant supporting legal documents. As agreed in the 2015 Shareholders' Agreement, SHKC is entitled to the Put Option in relation to the 30% equity interests it holds in SHKFGL and other relevant rights, and is entitled to exercise the Put Option as agreed during June 2, 2020 to December 2, 2020. Under the Put Option, SHKC is entitled to sell the remaining 30% equity it holds in SHKFGL to ESFH based on the initial price agreed in the 2015 Shareholders' Agreement, plus an annual compound annual rate of return of 8.8%, minus the dividends already distributed to SHKC.

In order to achieve the continued stability of the Company's business in Hong Kong, ESFH and SHKC conducted negotiations on arm's length basis for the mutual benefit. Currently, ESFH and SHKC have agreed on the arrangement for the exercise of the Put Option, the use of trademarks, and non-competition undertaking etc. On November 17, 2020, ESFH and SHKC entered into a series of agreements, namely the Amended and Restated Shareholders' Agreement, the Agreement for Repurchase and Subscription of Shares, the Amended and Restated Trade Mark License Agreement, the Deed of Release, and the Loan Receivables Charge Agreement. The main contents and performance arrangements are as follows:

1. Arrangement of the Exercise of the Put Option

The consideration for the fulfillment of the Put Option is calculated based on the agreed terms set out in the 2015 Shareholders' Agreement. Details of the payment in installments are as below:

- (1) Initial Payment: on November 17, 2020, ESFH shall pay SHKC in cash at an amount of HK\$1.257 billion as initial payment;

- (2) **Subsequent Payments:** The balance of approximately HK\$1.156 billion will be paid by SHKFGL in installments.

The 30% of the ordinary shares of SHKFGL held by SHKC will be converted into the same number of preference shares according to the relevant legal procedures, and the payment will be made in installments through the redemption of preference shares by SHKFGL, and all preference shares of SHKFGL will be redeemed finally.

SHKFGL may choose between mandatory redemption and accelerated redemption to redeem the preference shares. Under the mandatory redemption arrangement, SHKFGL will redeem one third of the preference shares from SHKC on each of June 1, 2021, June 1, 2022 and June 1, 2023, respectively. The amount paid for each period will be approximately HK\$450 million to HK\$480 million respectively. Under the accelerated redemption arrangement, SHKFGL may decide based on specific circumstances, that on one of June 1, 2021, December 1, 2021, June 1, 2022 or December 1, 2022, it will redeem all the remaining preference shares held by SHKC in advance at one time, with an amount of approximately HK\$1.237 billion, HK\$825 million, HK\$864 million and HK\$412 million, respectively. The Board has authorized the management of the Company to decide on accelerated redemption and related matters. The Company will actively promote accelerated redemption and related matters based on specific circumstances.

The performance consideration is determined on arm's length basis between the parties after taking into consideration of the exercise price of the Put Option agreed in the 2015 Shareholders' Agreement, the Company's commercial interests, and the financial and time cost of installment payments. Under either mandatory redemption or accelerated redemption arrangements, the highest consideration of each period of the Company's performance of the Put Option on aggregated basis will not exceed HK\$2.65 billion.

2. Arrangement for Use of Trademarks

In accordance with the Amended and Restated Trade Mark License Agreement, SHKC allows SHKFGL, EBSHK, Everbright Securities (International) Limited and their subsidiaries to use "Sun Hung Kai" trademark for free in Mainland China, Hong Kong Special Administrative Region, Macau Special Administrative Region, Australia, and the United Kingdom within 18 months after the date of the Amended and Restated Trade Mark License Agreement, in designated businesses and designated domain names. The designated businesses include brokerage, wealth management, margin lending, and capital market businesses.

3. Arrangement for Non-competition Undertaking

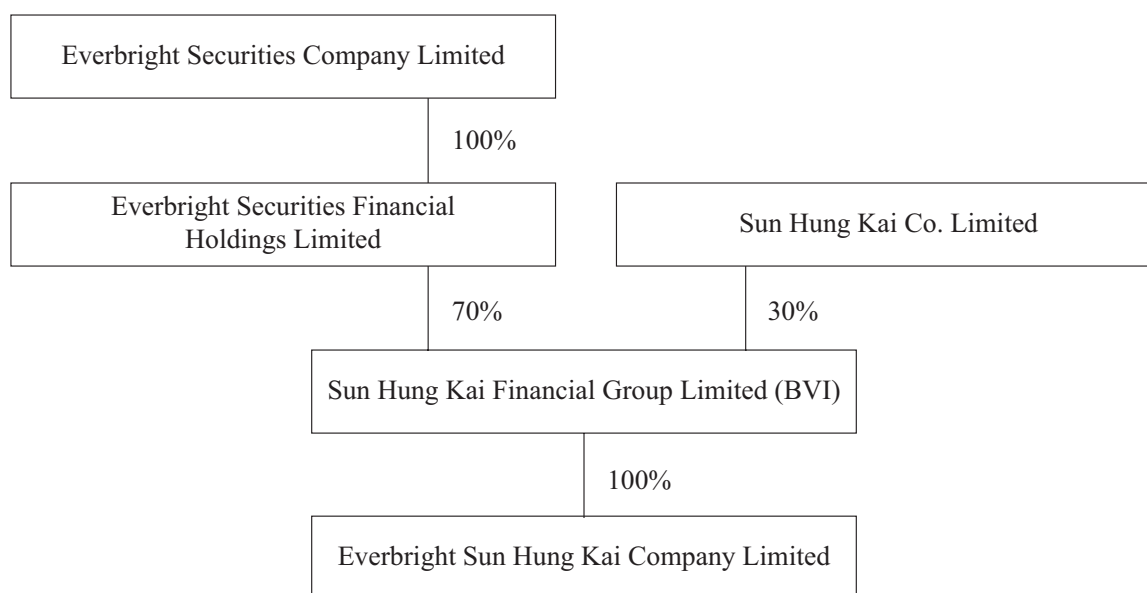
According to the Amended and Restated Shareholders' Agreement, SHKC and its subsidiaries shall not operate retail brokerage and retail wealth management businesses under the supervision of the Securities and Futures Commission in Hong Kong within 18 months after the date of the Amended and Restated Shareholders' Agreement; nor shall they operate equivalent businesses in Mainland China, Macau Special Administrative Region, the United Kingdom, and Australia.

4. Charges and Release of Pledge

According to the Loan Receivables Charge Agreement, SHKFGL pledges part of the receivable loan claims of its subsidiaries to SHKC, with an amount not exceeding the balance payable by SHKFGL, subject to regular dynamic adjustments. According to the Deed of Release, the 30% shares of SHKFGL previously pledged by ESFH in favour of SHKC were released on the date of this announcement.

CHANGES IN THE SHAREHOLDING STRUCTURE PRIOR TO AND AFTER THE TRANSACTION

The shareholding structure prior to the Transaction is as follows:



The shareholding structure after the Transaction is as follows:



The completion of the Transaction will not change the scope of the subsidiaries to be consolidated into the Company's consolidated financial statements.

REASONS AND BENEFITS OF THE TRANSACTION

EBSHK is the overseas business expansion platform of the Company, which is mainly engaged in wealth management and brokerage business, corporate financing and investment management and other businesses. In the future, the Company will promote EBSHK to further leverage its advantages in domestic and overseas integration, explore cross-border wealth management business models with the aim to build Hong Kong's leading wealth management platform, which will further enhance the Company's international business strength.

The installment payment of the performance consideration of the Put Option provides ESFH and its subsidiaries with more flexible financial and time arrangements. The commercial protection such as trademark use and non-competition undertaking is also conducive to the sustainable and stable development of the Company's overseas business.

The above-mentioned Transaction has been approved by the Board at the 28th meeting of the fifth session of the Board. None of the Directors of the Company has any material interest in the Transaction, thus no Director is required to abstain from voting on the resolution of the Transaction. The independent non-executive Directors are of the view that the Transaction and relevant agreements have been negotiated by the parties on the normal commercial terms and are in the interest of the Company and the shareholders of the Company as a whole, and there is no violation of relevant regulations and damage to the interests of the Company and its shareholders.

GENERAL INFORMATION

Information about the Company

The Company is a joint stock company incorporated in the PRC with limited liability, its H shares are listed on the main board of the Hong Kong Stock Exchange (stock code: 6178) and its A shares are listed on the Shanghai Stock Exchange (stock code: 601788).

The principal business of the Company is securities brokerage, securities investment consulting, financial advisory relating to securities trading and securities investment, securities underwriting and sponsorship, proprietary trading of securities, intermediary introduction business for futures companies, proxy sale of securities investment funds, margin financing and securities lending business, proxy sale of financial products, market making of stocks and options, fund custody qualification and other businesses approved by China Securities Regulatory Commission.

Information about SHKC

SHKC, established in 1969, is a company incorporated in Hong Kong with limited liability and listed on the Hong Kong Stock Exchange (stock code: 00086). The ultimate beneficial owner of SHKC is Allied Group Limited, a public limited company incorporated in Hong Kong, which is listed on the Hong Kong Stock Exchange (stock code: 373). SHKC owns and operates financial services business, with a total asset value of approximately HK\$43 billion.

Information about ESFH

ESFH is a company incorporated on November 19, 2010 under the laws of Hong Kong with limited liability and a wholly owned subsidiary of the Company. ESFH mainly engages in investment holding and financial service.

Information about SHKFGL

SHKFGL is an investment holding company established in the British Virgin Islands, with a registered capital of US\$301.22 million. It is jointly held by ESFH and SHKC as to 70% and 30% respectively.

As of December 31, 2019, the audited financial data of SHKFGL is as follows: the total assets are HK\$11.392 billion, the net assets are HK\$3.238 billion, and the total income of 2019 under IFRS (the same standard is applied below) is HK\$1.752 billion, and the net profit is HK\$337 million. As of June 30, 2020, SHKFGL's unaudited financial data are as follows: the total assets are HK\$10.625 billion, the net assets are HK\$3.091 billion, the total revenue from January to June 2020 is HK\$857 million, and the net profit is HK\$171 million.

The audited net profit/(loss) (before and after taxation) of SHKFGL for the two years ended 31 December 2018 and 31 December 2019 are as follows:

	For the year ended 31 December 2018 <i>HK\$ (in million)</i> (audited)	For the year ended 31 December 2019 <i>HK\$ (in million)</i> (audited)
Net profit/(loss) before tax	372.5	368.3
Net profit/(loss) after tax	328.5	336.8

Information about EBSHK

EBSHK is a wholly-owned subsidiary of SHKFGL with a registered capital of HK\$157.7 million. EBSHK has four major business sectors: wealth management and brokerage, corporate finance and capital markets, asset management, investment and fixed income. It also has branches in Macau Special Administrative Region and the United Kingdom.

Information about ESIL

Everbright Securities (International) Limited (the "ESIL") is an indirect wholly-owned subsidiary of the Company and an investment company incorporated in the British Virgin Islands with the registered capital of HK\$1,000. The Company holds 100% of the equity of ESFH, ESFH holds 100% equity of ESIL.

IMPLICATIONS UNDER THE LISTING RULES

Given that the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Transaction, which is profits ratio, exceeds 5% but is less than 25%, the Transaction constitutes a disclosable transaction of the Company under Chapter 14 of the Listing Rules, and subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

As of the date of this announcement, SHKC holds 30% equity interest in SHKFGL, a non-wholly owned subsidiary of the Company. Hence, SHKC is a connected person of the Company at subsidiary level, and therefore the Transaction constitutes connected transaction of the Company under Chapter 14A of the Listing Rules. The highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Transaction exceeds 1% but is less than 5%. Hence, the Transaction is subject to the reporting and announcement requirements but is exempt from shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITION

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

“Affiliate(s)”	in relation to a person that is a body corporate, any other person which, directly or indirectly, Controls, is Controlled by or is under common Control with the first-mentioned person, in relation to a person that is a natural person, such person's relatives and any other person (other than natural persons) directly or indirectly Controlled by such person (whether alone or jointly with such relatives), in each case from time to time
“Agreement for Repurchase and Subscription of Shares”	the Agreement for Repurchase and Subscription of Shares dated November 17, 2020 entered into by SHKC, ESFH and SHKFGL
“Amended and Restated Shareholders' Agreement”	the Amended and Restated Shareholders' Agreement dated November 17, 2020 entered into by SHKC, ESFH and SHKFGL
“Amended and Restated Trade Mark Licence Agreement”	the agreement of Amended and Restated Trade Mark Licence dated November 17, 2020 entered into by SHKC, SHKFGL, EBSHK and ESIL
“Board”	the board of directors of the Company
“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 Shanghai Stock Exchange (stock code: 601788), respectively
“connected person”	has the meaning ascribed to it under the Listing Rules
“Deed of Release”	the deed of release dated November 17, 2020 entered into by SHKC, ITSO Limited and ESFH in respect of the release of the pledge previously made by ESFH in favour of SHKC on its 30% equity interest of SHKFGL
“Director(s)”	the director(s) of the Company
“EBSHK”	Everbright Sun Hung Kai Company Limited, whose 100% equity interest is held by SHKFGL, also a subsidiary of the Company
“ESFH”	Everbright Securities Financial Holdings Limited, a wholly-owned subsidiary of the Company
“ESIL”	Everbright Securities (International) Limited, an indirect wholly-owned subsidiary of the Company

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“Listing Rules”	The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as revised from time to time
“Loan Receivables Charge Agreement”	the loan receivables charge agreement dated November 17, 2020 entered into among two indirect wholly-owned subsidiaries of SHKFGL (Sun Hung Kai Investment Services Limited and Structured Solutions Limited) and SHKC
“Put Option”	the right granted by the Company in 2015 that, SHKC may exercise its put option to require ESFH to purchase some or all of SHKC’s shares in SHKFGL during a prescribed put option period or following the occurrence of certain prescribed put option trigger events during a specified period, at certain prices as disclosed on Page 140 of the Prospectus
“SHKC”	Sun Hung Kai & Co. Limited, a connected person of the Company at subsidiary level
“SHKFGL”	Sun Hung Kai Financial Group Limited, a non-wholly owned subsidiary of the Company, which is owned as to 70% and 30% by ESFH and SHKC, respectively, as at the date of this announcement
“%”	percent
“2015 Shareholders’ Agreement”	a shareholders’ agreement entered into by SHKC, ESFH and SHKFGL dated June 2, 2015 to regulate the management of SHKFGL, and their relationship with each other as shareholders of SHKFGL

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

Shanghai, the PRC
November 17, 2020

As at the date of this announcement, the Board of the Company comprises Mr. Yan Jun (Chairman, Executive Director), Mr. Liu Qiuming (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), Mr. Au Sing Kun (Independent Non-executive Director) and Mr. Wang Yong (Independent Non-executive Director).