THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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光大证券
EVERBRIGHT SECURITIES

光大證券股份有限公司

Everbright Securities Company Limited

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

(Stock code: 6178)

(1) 2020 Report of the Board of Directors
(2) 2020 Report of the Supervisory Committee
(3) 2020 Annual Report and its summary
(4) 2020 Profit Distribution Plan
(5) Proposal of Expected Ordinary Related Party (Connected) Transactions in 2021
(6) Proposal of Proprietary Trading Businesses Scale in 2021
(7) Proposal on Adjusting the Allowances of the Company's Independent Directors and External Supervisors
(8) Proposal of the General Mandate to Issue Onshore and Offshore Debt Financing Instruments to the Company
(9) Independent Directors' Annual Work Report for 2020 (Non-voting matter) and
(10) Notice of AGM

The 2020 Annual General Meeting ("**AGM**") of Everbright Securities Company Limited (the "**Company**") will be held at 2:30 p.m. on Tuesday, May 18, 2021 at Jing'an International Plaza, No. 1508 Xinzha Road, Jing'an District, Shanghai, the PRC. A notice convening the AGM is set out on pages 7 to 10 of this circular.

Whether or not you are able to attend the AGM, you are advised to read the notice of the AGM and to complete and return the proxy form that has been despatched to you in accordance with the instructions printed thereon as soon as practicable. For H Shareholders, the proxy form or any other authorization documents should be returned to the Company's H share registrar, Computershare Hong Kong Investor Services Limited, whereas A Shareholders should return the proxy form to the Company's Board office, in person or by post no later than 24 hours before the time appointed for convening the AGM (i.e. before 2:30 p.m. on Monday, May 17, 2021) or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting at the AGM or at any adjourned meeting if you so wish.

If you intend to attend the AGM in person or by proxy, you are required to complete and return the reply slip to Computershare Hong Kong Investor Services Limited (for H Shareholders) on or before Wednesday, April 28, 2021.

April 15, 2021

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

"A Shareholders"	holders of A Shares
"A Shares"	domestic shares of the Company with a nominal value of RMB1.00 each, which are listed on the SSE and traded in RMB
"AGM"	the 2020 annual general meeting of the Company to be held at 2:30 p.m. on Tuesday, May 18, 2021
"Articles of Association"	the articles of association of the Company
"AUM"	asset under management
"Board" or "Board of Directors"	the board of Directors of the Company
"Company" or "our Company" or "Everbright Securities" or "Parent 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 Stock Exchange (stock code: 6178) and the SSE (stock code: 601788), respectively
"Company Law"	the Company Law of the People's Republic of China
"CSRC"	China Securities Regulatory Commission
"Directors"	the directors of the Company
"EBSHK"	Everbright Securities Financial Holdings Limited, a wholly-owned subsidiary of the Company
"Everbright Asset Management"	Shanghai Everbright Securities Asset Management Co., Ltd., a wholly-owned subsidiary of the Company
"Everbright Capital"	Everbright Capital Investment Co., Ltd., a wholly-owned subsidiary of the Company

"Everbright Fortune"	Everbright Fortune Investment Co., Ltd., a wholly-owned subsidiary of the Company
"Everbright Futures"	Everbright Futures Co., Ltd., a wholly-owned subsidiary of the Company
"Everbright Leasing"	Everbright Fortune International Leasing Co., Ltd., a controlling subsidiary of the Company
"H Shareholders"	holders of H Shares
"H Shares"	ordinary shares of the Company with a nominal value of RMB1.00 each, which are issued outside the PRC, listed on the Stock Exchange and traded in Hong Kong Dollars (stock code: 6178)
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HKD"	the lawful currency of Hong Kong
"Independent Director" or "Independent Non-executive Director"	independent non-executive director of the Company
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
"NEEQ"	National Equities Exchange and Quotations
"Renminbi" or "RMB"	the lawful currency of the PRC
"Reporting Period"	the year of 2020 (January 1, 2020 to December 31, 2020)
"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

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor"	supervisor of the Company
"Supervisory Committee"	the supervisory committee of the Company
"SZSE"	Shenzhen Stock Exchange

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

光大證券股份有限公司
Everbright Securities Company Limited
(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock code: 6178)

Mr. Yan Jun *(Chairman, Executive Director)*
Mr. Liu Qiuming *(Executive Director)*
Mr. Song Bingfang *(Non-executive Director)*
Mr. Fu Jianping *(Non-executive Director)*
Mr. Yin Lianchen *(Non-executive Director)*
Mr. Chan Ming Kin *(Non-executive Director)*
Mr. Tian Wei *(Non-executive Director)*
Mr. Yu Mingxiong *(Non-executive Director)*
Mr. Wang Yong *(Independent Non-executive Director)*
Mr. Po Wai Kwong *(Independent Non-executive Director)*
Mr. Ren Yongping *(Independent Non-executive Director)*
Mr. Yin Junming *(Independent Non-executive Director)*
Mr. Liu Yunhong *(Independent Non-executive Director)*

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

Place of business in Hong Kong:
12/F, Everbright Centre,
108 Gloucester Road, Wanchai,
Hong Kong

April 15, 2021

To the Shareholders

Dear Sir or Madam,

(1) 2020 Report of the Board of Directors
(2) 2020 Report of the Supervisory Committee
(3) 2020 Annual Report and its summary
(4) 2020 Profit Distribution Plan
(5) Proposal of Expected Ordinary Related Party (Connected) Transactions in 2021
(6) Proposal of Proprietary Trading Businesses Scale in 2021
(7) Proposal on Adjusting the Allowances of the Company's Independent Directors and External Supervisors
(8) Proposal of the General Mandate to Issue Onshore and Offshore Debt Financing Instruments to the Company
(9) Independent Directors' Annual Work Report for 2020 (Non-voting matter) and
(10) Notice of AGM

I. INTRODUCTION

On behalf of the Board, I would like to invite you to attend the AGM to be held at 2:30 p.m. on Tuesday, May 18, 2021 at Jing'an International Plaza, No. 1508 Xinzha Road, Jing'an District, Shanghai, the PRC. The purpose of this circular is to give you notice of the AGM and to provide you with information reasonably necessary to enable you to make an informed decision on whether to vote for or against the resolutions to be proposed at the AGM.

II. BUSINESSES TO BE CONSIDERED AT THE AGM

Details of the businesses to be considered at the AGM are set out on pages I-1 to I-4 of this circular.

The proposals to be presented as ordinary resolutions for consideration and approval at the AGM include: (1) 2020 Report of the Board of Directors; (2) 2020 Report of the Supervisory Committee; (3) 2020 Annual Report and its summary; (4) 2020 Profit Distribution Plan; (5) Proposal of Expected Ordinary Related Party (Connected) Transactions in 2021; (6) Proposal of Proprietary Trading Businesses Scale in 2021; and (7) Proposal on Adjusting the Allowances of the Company's Independent Directors and External Supervisors; the proposal to be presented as special resolution for consideration and approval at the AGM includes: (8) Proposal of the General Mandate to Issue Onshore and Offshore Debt Financing Instruments to the Company.

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

Independent Directors' Annual Work Report for 2020 will be presented at the AGM, but no Shareholders' approval is required. To provide detailed information to Shareholders, the report is set out in Appendix II to this circular for the inspection by the Shareholders.

III. AGM

The AGM will be held at 2:30 p.m. on Tuesday, May 18, 2021 at Jing'an International Plaza, No. 1508 Xinzha Road, Jing'an District, Shanghai, the PRC, to consider and, if thought fit, approve the proposals mentioned above. The notice of AGM is set out on pages 7 to 10 of this circular.

A form of proxy for use at the AGM has been dispatched to you. Whether or not you are able to attend the AGM, you are advised to read the notice of AGM and to complete and return the proxy form that has been dispatched to you in accordance with the instructions printed thereon as soon as practicable. For H Shareholders, the proxy form or any other authorization documents should be returned to the Company's H share registrar, Computershare Hong Kong Investor Services Limited, whereas A Shareholders should return the proxy form to the Company's Board office, in person or by post no later than 24 hours before the time appointed for convening the AGM (i.e. before 2:30 p.m. on Monday, May 17, 2021) or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting at the AGM or at any adjourned meeting if you so wish.

If you intend to attend the AGM in person or by proxy, you are required to return the completed and signed reply slip to the Company's H share registrar, Computershare Hong Kong Investor Services Limited (for H Shareholders), or to the Company's Board office (for A Shareholders), on or before Wednesday, April 28, 2021 in person, by mail or by fax.

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

IV. VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote by Shareholders at a general meeting must be taken by poll. Therefore, the resolutions to be proposed at the AGM will be voted by poll. Results of the poll voting will be posted on the website of the Company at www.ebscn.com and on the HKExnews website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk upon the conclusion of the AGM.

V. RECOMMENDATION

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

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

Shanghai, the PRC
April 15, 2021

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光大证券
EVERBRIGHT SECURITIES

光大證券股份有限公司

Everbright Securities Company Limited

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

(Stock Code: 6178)

Notice of 2020 Annual General Meeting

NOTICE IS HEREBY GIVEN that the 2020 annual general meeting (the "**AGM**") of Everbright Securities Company Limited (the "**Company**") will be held at 2:30 p.m. on Tuesday, May 18, 2021 at Jing'an International Plaza, No. 1508 Xinzha Road, Jing'an District, Shanghai, the PRC, to consider and, if thought fit, approve the following resolutions.

Ordinary Resolutions

1. To consider and approve the 2020 Report of the Board of Directors.

2. To consider and approve the 2020 Report of the Supervisory Committee.

3. To consider and approve the 2020 Annual Report and its summary.

4. To consider and approve the 2020 Profit Distribution Plan.

5. To consider and approve the Proposal of Expected Ordinary Related Party (Connected) Transactions in 2021.

6. To consider and approve the Proposal of Proprietary Trading Businesses Scale in 2021.

7. To consider and approve the Proposal on Adjusting the Allowances of the Company's Independent Directors and External Supervisors.

Special Resolution

8. To consider and approve the Proposal of the General Mandate to Issue Onshore and Offshore Debt Financing Instruments to the Company, including:

   8.1 Issuer

   8.2 Type of Debt Financing Instruments

   8.3 Size of Issuance

   8.4 Method of Issuance

   8.5 Term of Debt Financing Instruments

8.6 Interest Rates of Debt Financing Instruments

8.7 Guarantees and Other Credit Enhancement Arrangements

8.8 Purpose of Proceeds

8.9 Issue Price

8.10 Target Subscribers and Arrangements for Placement to the Shareholders of the Company

8.11 Listing of the Debt Financing Instruments

8.12 Measures for Guaranteeing Debt Repayment of the Debt Financing Instruments

8.13 Authorised Matters Relating to the Issuance of the Onshore and Offshore Debt Financing Instruments of the Company

8.14 Validity Period of the Resolution

To Hear the Relevant Report

9. To hear the Independent Directors' Annual Work Report for 2020.

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

Shanghai, the PRC
April 15, 2021

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

Notes:

1. In accordance with the provisions of the Rules of the Shareholders' General Meeting of Listed Companies formulated by the CSRC, independent Directors shall present a work report at the AGM. The report will be submitted to and heard on the AGM, but Shareholders need not to make a resolution on it. The work report by Independent Directors for 2020 is set out in the circular of the Company's AGM for inspection by Shareholders.

2. **Eligibility for Attending the AGM and Closure of Register of Members for H Shares**

   The H Share register of members of the Company will be closed for the purpose of determining H Shareholders' entitlement to attend the AGM from Saturday, April 17, 2021 to Tuesday, May 18, 2021 (both days inclusive), during which period no transfer of H Shares will be registered. In order to attend the AGM, H Shareholders should ensure that share certificates, accompanied with transfer documents, are lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Friday, April 16, 2021 to complete registration.

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

3. **Proxy**

   (1) Any Shareholder entitled to attend and vote at the AGM is entitled to appoint one or more proxies to attend and vote at the meeting on his or her behalf. A proxy need not be a Shareholder.

   (2) The instrument appointing a proxy must be in writing by the appointer or his attorney duly authorized in writing, or if the appointer is a legal entity, either under seal of the legal entity or signed by a director or a duly authorized attorney.

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

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

4. **Reply Slip**

   Shareholders (for H Shareholders) who intend to attend and vote at the AGM in person or by proxy are required to return the completed and signed reply slip to the Company's H share registrar on or before Wednesday, April 28, 2021. Reply slip may be sent to the Company's H share registrar, Computershare Hong Kong Investor Services Limited (located at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong) in person, by mail or by fax (for H Shareholders).

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

5. **Voting by Poll**

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

6. **Distribution of Final Dividend of H Shares**

   The Board of the Company has proposed to pay the final cash dividend of RMB1.58 (tax inclusive) for every 10 shares for the year ended December 31, 2020 to all A Shareholders and H Shareholders, which is expected to be RMB728,504,446.96 (tax inclusive) in total, on the basis of a total share capital of 4,610,787,639 A Shares and H Shares in issue as of December 31, 2020. Cash dividend is denominated and declared in RMB, and paid to A Shareholders in RMB and to H Shareholders in HKD. The actual distribution amount in HKD would be calculated at the rate of average benchmark exchange rate of RMB against HKD published by the People's Bank of China for five business days prior to the AGM. If the Company's proposal of the profit distribution plan of 2020 is approved at the AGM, the cash dividend will be distributed by the Company within two months from the date of the AGM.

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

7. Tax Matters

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

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

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

- For the dividend income obtained by mainland individual investors from investment in H Shares of the Company through HK-Shanghai Stock Connect, the Company shall withhold the income tax as per the 20% tax rate. For the dividend income obtained by mainland securities investment funds from investment in H Shares of the Company through HK-Shanghai Stock Connect, the income tax shall be levied in accordance with the above provisions; and

- For the dividend income obtained by mainland enterprise investors from investment in H Shares of the Company through HK-Shanghai Stock Connect, the income tax on the mainland enterprises shall not be withheld by the Company, and the tax payable shall be declared and paid by the mainland enterprises.

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

- For the dividend income obtained by mainland individual investors from investment in H Shares of the Company through HK-Shenzhen Stock Connect, the Company shall withhold the income tax as per the 20% tax rate. For the dividend income obtained by mainland securities investment funds from investment in H Shares of the Company through HK-Shenzhen Stock Connect, the income tax shall be levied in accordance with the above provisions; and

- For the dividend income obtained by mainland enterprise investors from investment in H Shares of the Company through HK-Shenzhen Stock Connect, the income tax on the mainland enterprises shall not be withheld by the Company, and the tax payable shall be declared and paid by the mainland enterprises.

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

8. Others

(1) For joint Shareholders, a vote by a preferred joint Shareholder, whether in person or by a proxy, is to be accepted as representing the remaining joint Shareholders if the joint Shareholders present in person or by proxy are more than one. In regard thereof, the priority of the Shareholders shall be determined by the rankings of the relevant joint Shareholders in the register of members of the Company in relation to the relevant Shares.

(2) The duration of the AGM is expected not to exceed half a day. All Shareholders who attend the AGM shall arrange for their own transportation and accommodation at their own expenses.

(3) The address of Computershare Hong Kong Investor Services Limited is at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (Telephone: (852) 2862 8555, Fax: (852) 2865 0990).

(4) The location of the Company's Board office is at No. 1508 Xinzha Road, Jing'an District, Shanghai, the PRC (Postcode: 200040, Telephone: (86) 21 2216 9914, Fax: (86) 21 2216 9964).

ORDINARY RESOLUTIONS

1. To consider and approve the 2020 Report of the Board of Directors

Pursuant to the provisions of the Company Law and the Articles of Association, considering and approving the 2020 Report of the Board of Directors is the authority of the general meeting of the Company. Rules of Shareholders' General Meeting of Listed Companies issued by the CSRC stipulate that the Board of Directors shall report to the Shareholders on its work over the past year at the AGM.

2020 Report of the Board of Directors of Everbright Securities Company Limited was considered and approved by the Board of Directors on March 25, 2021, and is hereby presented to the AGM for consideration and approval.

The details of the above 2020 Report of the Board of Directors are set out in Annex A of this circular.

2. To consider and approve the 2020 Report of the Supervisory Committee

Pursuant to the relevant regulations and the requirements in the Articles of Association, considering and approving the 2020 Report of the Supervisory Committee is the authority of the general meeting of the Company. Rules of Shareholders' General Meeting of Listed Companies issued by the CSRC stipulate that the Supervisory Committee shall report to the Shareholders on its work over the past year at the AGM.

2020 Report of the Supervisory Committee of Everbright Securities Company Limited was considered and approved by the Supervisory Committee on March 24, 2021, and is hereby presented to the AGM for consideration and approval.

The details of the above 2020 Report of the Supervisory Committee are set out in Annex B of this circular.

3. To consider and approve the 2020 Annual Report and its summary

The 2020 Annual Report was considered and approved by the Board of Directors on March 25, 2021, and is hereby presented to the AGM for consideration and approval. Please refer to the 2020 Annual Report, which was published on the HKExnews website of the Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk) and the website of the Company (http://www.ebscn.com) on April 14, 2021 for details.

4. To consider and approve the 2020 Profit Distribution Plan

Pursuant to the *Profit Distribution Plan of 2020 of Everbright Securities Company Limited* considered and approved by the Board of Directors on March 25, 2021, the profit distribution plan of the Company for the year of 2020 is as follows:

In the year of 2020, the Company recorded consolidated net profit attributed to the shareholders of the listed company of RMB2,334,000,000.

Taking into account the interests of Shareholders and the operation and development needs of the Company, the profit distribution plan of the Company for the year of 2020 is proposed as follows: Based on the total capital of A Shares and H Shares of 4,610,787,639 shares as at December 31, 2020, the cash dividend of RMB1.58 (tax inclusive) for every 10 Shares, i.e. a total of RMB728,504,446.96, will be distributed to all A Shareholders and H Shareholders. Cash dividend is denominated and declared in RMB, and paid to A Shareholders in RMB and to H Shareholders in HKD. The actual distribution amount in HKD would be calculated at the average benchmark exchange rate of RMB against HKD published by People's Bank of China for five business days prior to the 2020 AGM.

According to the above profit distribution plan, the total amount of cash dividends proposed to be distributed by the Company accounts for 31.21% of consolidated net profit attributed to the Shareholders of the listed company, which complies with the requirements of the *Guidelines for Dividends of Listed Companies* and the Articles of Association.

The above profit distribution plan of 2020 was considered and approved by the Board of Directors on March 25, 2021, and is hereby presented to the AGM for consideration and approval. If the final dividend of 2020 is approved by the Shareholders at the AGM, the Company's final dividend for the year ended December 31, 2020 will be paid in cash within two months from the date of the AGM. Meanwhile, it is also requested to authorize the Board of Directors and agree that the Board of Directors may authorize the management of the Company to handle the matters related to profit distribution accordingly at the AGM.

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

5. To consider and approve the Proposal of Expected Ordinary Related Party (Connected) Transactions in 2021

It was considered and approved by the Board of Directors on March 25, 2021 and is hereby presented to the AGM for consideration and approval. Please refer to Annex C of this circular for the details of the above proposal.

6. To consider and approve the Proposal of Proprietary Trading Businesses Scale in 2021

Proprietary investment is one of the main businesses of the Company. According to the provisions of Article 7 of the CSRC's Provisions on Strengthening the Supervision of Listed Securities Companies (2010 Revision, CSRC Announcement [2010] No. 20), "If the significant external investment by a listed securities company, including the proprietary trading of securities which exceeds certain amount and is required to be promptly disclosed and submitted to the general meeting for approval, the listed securities company may submit it to the general meeting for consideration and approval and disclose the total proprietary investment amount every year. If the situation changes in the process of proprietary investment, the general meeting may authorize the Board of Directors to vote and publish the announcement in accordance with the provisions of Articles of Association". The Company has made analysis on the scale of 2021 proprietary investment, based on the proprietary investment business development in 2020 and its assessment on the market trends in 2021:

(1) The maximum investment scale for proprietary trading of non-equity securities and its derivatives in 2021 is 300% of the net capital (the regulatory standard is not more than 500% of the net capital).

The "non-equity securities and its derivatives" include: bonds, non-equity funds, treasury bond futures, bond forwards, interest rate swaps, foreign exchange derivatives, targeted, collective and trust products, spot commodities and derivatives, etc. Investment scale measurement caliber is subject to regulatory standards. In case of changes to regulatory measurement standard, the measurement caliber shall be adjusted in accordance with the latest regulatory standard.

(2) The maximum investment scale for proprietary trading of equity securities and its derivatives in 2021 is 50% of the net capital (the regulatory standard is not more than 100% of the net capital).

The "equity securities and its derivatives" include: stocks, equity funds, stock index futures, equity swaps, options, etc. Investment scale measurement caliber is subject to regulatory standards. In case of changes to regulatory measurement standard, the measurement caliber shall be adjusted in accordance with the latest regulatory standard.

(3) The Board of Directors requires management shall exercise caution in a strict manner when conducting the proprietary business. In case of changes in the process of implementation of proprietary investment by the Company, the Company shall submit to the general meeting to approve the authorization to the Board of Directors to vote the proprietary amount and publish relevant announcement.

The above proposal has been considered and approved by the Board of Directors on March 25, 2021, and is hereby presented to the AGM for consideration and approval.

7. Proposal on Adjusting the Allowances of the Company's Independent Directors and External Supervisors

As approved at the 2007 annual general meeting, the annual remuneration of independent directors of the Company is RMB100,000/person/year after tax (approximately RMB121,100/person/year before tax) and the annual remuneration of external Supervisors is RMB70,000/person/year after tax (approximately RMB83,300/person/year before tax).

In order to further enhance the due diligence awareness and motivate the working enthusiasm of independent directors and facilitate the sustainable and stable development of the Company, with reference to the allowances for independent directors of other listed companies in the same industry and the same region and as considered and approved at the fourth meeting of the sixth session of the Board of Directors (with independent directors abstained from voting), the Company proposed to adjust the allowances for independent directors to RMB240,000/person/year (tax inclusive) since the independent directors of the sixth session of the Board of Directors began to perform duties. As considered and approved at the third meeting of the six session of the Supervisory Committee, the Company proposed to adjust the allowances for external Supervisors to RMB200,000/person/year (tax inclusive) since the external Supervisors of the sixth session of the Supervisory Committee began to perform duties.

The above proposal has been considered and approved by the Board of Directors on March 25, 2021 and are hereby presented to the AGM for consideration and approval.

SPECIAL RESOLUTION

8. Proposal of the General Mandate to Issue Onshore and Offshore Debt Financing Instruments to the Company

It was considered and approved by the Board of Directors on March 25, 2021 and is hereby presented to the AGM for consideration and approval. Please refer to Annex D of this circular for the details of the above proposal.

2020 Report of the Board of Directors
of
Everbright Securities Company Limited[1]

In 2020, facing the complex and ever-changing market environment, under the leadership of the Company's party committee and Board of Directors, the Company has unified its thinking and understanding to reach a consensus on development, and promoted the rolling optimization of medium and long-term strategies. The business synergy ecosystem built on the basis of business "clusters" has been gradually taking shape, making the Company's competition advantages more prominent, and contributing to solid and effective internal and external collaboration, strict risk compliance, and greatly improved market recognition. During the Reporting Period, the classification rating of the Company returned to AA rating in A class, which was due to the significant increase in major financial indicators. During the Reporting Period, the Company has achieved cumulative operating income of RMB15.866 billion, representing a year-on-year increase of 58%; and achieved net profit attributable to shareholders of the Parent Company of RMB2.334 billion, representing a year-on-year increase of 311%.

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

I. SUPPORTING INNOVATION-ORIENTED DEVELOPMENT AND EFFICIENTLY CARRYING OUT KEY TASKS

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

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

The fifth session of the Board of Directors of the Company was elected by the fourth extraordinary general meeting of Shareholders in 2017, and began to perform duties on October 17, 2017. As such, an election and change of session of the Board of Directors should be carried out in 2020. In accordance with the relevant laws and regulations and the Articles of Association, candidates for directors and independent directors were nominated at the 27th meeting of the fifth session of the Board of Directors of the Company and were submitted to the general meeting for consideration and approval. The sixth session of the Board of Directors was officially formed and began to perform duties on December 15, 2020. At the 1st meeting of the sixth session of the Board of Directors of the Company, Mr. Yan Jun was elected as the chairman of the sixth session of the Board of Directors of the Company. To improve the decision-making efficiency and decision-making level of the special committees under the Board of Directors and take into comprehensive consideration of factors such as laws and regulations, educational background and job demands, members of the special committees under the Board of Directors were also elected at the 1st meeting of the sixth session of the Board of Directors. At present, the sixth session of the Board of Directors of the Company consists of 13 Directors, including 5 Independent Directors. The Board of Directors is a key connecting link in the corporate governance system and mechanism. The successful completion of the election and change of session of the Board of Directors of the Company is not only constructive to the stable development of the corporate governance system, but also brings new professional perspective to the Board of Directors by its 7 newly joined members, further optimizing and improving the governance of the Company.

(II) Optimizing the staffing of the management team

Based on its medium- to long-term strategic planning, the Company takes establishing the leading team and talent team of a first-class investment bank in China as the starting point towards the goal of building a high-quality and professional manager team. In order to further enhance the operations and management and the internal management mechanism of the Company, the Board of Directors of the Company appointed three senior management members during the Reporting Period, further optimizing the staffing of the management team. As considered and approved by the 19th meeting of the fifth session of the Board of Directors, Mr. Liu Qiuming was appointed as the president of the Company. As considered and approved by the 23rd meeting of the fifth session of the Board of Directors, Mr. Fang Ye and Mr. Liang Chunliang were appointed as the Company's chief information officer and the Company's business director. The appointment of the three senior management members helps to further strengthen the management team of the Company and further enhances the management and governance capability of the management team.

(III) Optimizing organizational structure to promote the coordinated development of six major business segments

Facing the new development pattern, the new situation of industry competition and the Company's medium- to long-term strategic planning needs, the Board of Directors has focused on promoting the Company's endogenous development mechanism, optimizing the top-level design, releasing organizational vitality, and consolidating the management foundation. Under the strong leadership of the Company's Board of Directors, the Company takes value creation as the core and adheres to the customer-centric concept, and reintegrates and builds six major business segments, namely wealth management business segment, corporate financing business segment, institutional customer business segment, investment trading business segment, asset management business segment, and equity investment business segment. Each business department has a clear runway and focused on the core, creating a new model of intensive management and coordinated ecological development, and further building an internal efficient market-oriented operation system.

II. PROMOTING REFORM AND TRANSFORMATION IN AN ORDERLY MANNER TO ACHIEVE BALANCED DEVELOPMENT OF ALL BUSINESSES OF THE COMPANY

(I) Wealth management business segment

1. Retail business

In 2020, the Company established the wealth management department, the retail business was promoted in an orderly manner focusing on the following tasks, and the transformation of wealth management has achieved initial results. The first was to optimize the structure and upgrade management. The reform of branch management system and mechanism continued to advance. The second was to adopt three-dimensional marketing and strengthen the operation of business. Through marketing activities such as "2020 Wining at the Beginning", "2020 Glory Campaign" and "Private Equity Competition", the Company has managed to focus on customers, the introduction of high-quality assets and professional institutions. The third was the transformation of product sales and revenue model. The Company built three product systems to further improve product evaluation and asset allocation capabilities, established optimal fund pools and portfolios, and continued to enrich the types and quantities of its financial products; besides, it continued to improve the product quality of "Golden Sunshine Wealth Management Plan"; established full-process management of proxy sales to improve sales efficiency and customer experience; for the year, key public offering sales increased by 68% year-on-year, and private equity sales increased by 169% year-on-year. The fourth was to carry out the account opening project to achieve coordinated linkage. Based on the "E-SBU" framework of Everbright Group, the Company has jointly promoted the "110 Plan" with China Everbright Bank and launched "Cloud Sharing" and "Benefit Sharing" activities, in which a total of more than 80,000 new securities accounts were opened. The fifth was to focus on the existing customers, improve efficiency and benefit, based on customer classification and hierarchy, carry out labor division and hierarchical management in service, offer special services around margin financing and securities lending, sales, investment consulting and other businesses, so as to promote its asset income and efficiency. The sixth was to build long-tail project, provide supporting services and strengthen financial technology to improve online customer service by creating a new special area for fixed-term investment fund. The artificial intelligence service product "Smart Investment Rubik's Cube" has attracted more than 72,000 subscribers. The seventh was to build a team and strengthen its foundation. Wealth managers increased by 15% to 1,352. Through the "Light Source Classroom" and "Hundred Days of Foundation Building" series of training, we have continued to build a professional and skilled marketing team and increase team productivity.

As of the end of 2020, the Company's market share (including seat leasing) of net income from securities trading on behalf of customers was 2.26%, ranking 15th in the market, the same as the end of the previous year. The Company's market share (excluding seat leases) of net income from securities trading as an agent was 2.07%, ranking 16th in the market, the same as the end of the previous year. The monthly activity of Golden Sunshine APP increased by 54% year-on-year to 2.56 million, and its ranking in the brokerage APPs increased by 2 to 15th. 540,000 new accounts were opened throughout the year, an increase of 106% year-on-year, of which online opening accounted for more than 60%. The total number of customers reached 4.12 million, and customer assets increased by 35% year-on-year to RMB1.16 trillion.

2. Margin financing and securities lending business

In 2020, the Company seized market opportunities to strengthen its leading position in marketing, establish a differentiated price management system, thus achieving growth in both the scale and market share of margin financing and securities lending business. As of the end of 2020, the Company's margin financing and securities lending balance was RMB43.641 billion, an increase of 59.09% over the end of 2019; the market share was 2.70%, an increase of 0.37% over the end of 2019. The Company's securities lending balance was RMB2.451 billion, with a market share of 1.79%.

3. Stock pledge business

In 2020, the Company has recorded steady development in stock pledge business, strictly controlled the quality of projects, and effectively resolved existing risks. As of the end of 2020, the Company's stock pledge balance was RMB5.998 billion, a decrease of 48.01% from the end of 2019. Of which, the balance of the Company's own funds was RMB4.124 billion, a decrease of 34.38% from the end of 2019. The weighted average performance guarantee ratio of the Company's stock pledge projects was 153.63%, while the weighted average performance guarantee ratio of self-funded projects was 196.25%.

4. Futures brokerage business

The Company mainly develops future brokerage business through its wholly-owned subsidiary, Everbright Futures. In 2020, Everbright Futures has firmly maintained its strategic positioning, closely caught up with market opportunities, and made every effort to take advantage of the trend, in order to boost its business development at a rapid pace, and expand its business scale; record substantial advancement in innovative businesses such as asset management, institutional business, and the Internet business; continuously optimize the customer structure, and accelerate the transformation to a wealth management futures company by technological innovation means and the improvement of service. In 2020, Everbright Futures achieved an average daily margin of RMB11.736 billion, and a market share of 2.44% in trading volume. The trading volume of Everbright Futures represented 1.64%, 1.76%, 3.63%, 3.62% and 1.34%, respectively, of the total trading volume of China Financial Futures Exchange, Shanghai Futures Exchange, Dalian Commodity Exchange, Zhengzhou Commodity Exchange and the Energy Center. The cumulative market share of stock options trading of Everbright Futures in SSE was 1.79% for the year of 2020.

5. Overseas wealth management and brokerage business

The Company develops overseas wealth management and brokerage business through its Hong Kong subsidiary. In 2020, the Hong Kong subsidiary focused on improving the wealth management product platform to attract high-quality sales talents and expand high-net-worth customer groups. It actively promoted the upgrading of financial technology to improve the online and mobile service functions. According to public data from the Hong Kong Stock Exchange, its brokerage business market share was 0.41%, and the total transaction volume for the year increased by 88% year-on-year. It also further enriched wealth management product platforms, moved forward steadily its options and futures businesses; strengthened the US stock trading platform, and enriched products linked to US stocks. The total turnover of US stock products for the year increased by 2.5 times year-on-year. As of the end of 2020, the total number of overseas securities brokerage customers was 137,000, the total amount of client assets under custody was HK$130.5 billion, and the total margin financing was HK$6.268 billion.

(II) Corporate financing business segment

1. Equity financing business

In 2020, the Company's investment bank insisted on improving quality and efficiency, and vigorously expanded IPO business opportunities, and effectively promoted the application, review and listing of high-quality Sci-tech Innovation Board projects, advancing project implementation and thus achieving major breakthroughs in performance. The Company's accumulated equity underwriting scale was RMB17.27 billion, an increase of 75.8% year-on-year, and its market share was 1.02%, an increase of 0.4 percentage point compared with the same period last year. Of which, the IPO financing scale was RMB10.87 billion, an increase of 403% year-on-year, and the market share was 2.26%, an increase of 1.41 percentage points from the same period last year. It has acted as the lead underwriter for 31 equity financing projects, ranking 11th in the industry, advanced 4 places over the same period last year. It has acted as lead underwriter for 18 IPO projects, ranking 9th in the industry, including 8 Sci-tech Innovation Board projects. The Company has abundant projects in its pipeline, with 22 IPOs being reviewed by official supervision organs, and relatively sufficient refinancing and M&A reserve projects at hand as of the end of the year 2020.

2. Debt financing business

In 2020, the number of underwriting projects for corporate bonds was 1,503, representing a year-on-year increase of 37.89%. The underwriting amount was RMB412.547 billion, with a market share of 4.22%, ranking 7th in the industry. And the underwriting amount of asset securitization business was RMB138.091 billion, with a market share of 6.46% and ranking 7th in the industry. The Company deeply implements the national strategic deployment, actively participates in the underwriting of local debt, and the scale of local debt underwriting business ranks 6th in the industry.

In terms of innovative financing projects for bond underwriting business, the Company actively promoted innovation and has completed a number of first financing projects, i.e. the market's first innovative ABN project of local state-owned enterprise, the largest single-phase issuance of innovative ABN project, and the first storage shelf-type commercial REITs of real estate fund. The Company actively participated in epidemic prevention and control by successfully issuing 9 specialized financing projects for epidemic prevention and control including Shenzhen Metro. The Company has successively won the 2020 Outstanding Contribution Award for on-Bank Underwriters of Local Bonds by China Central Government Securities Depository Trust & Clearing Co., Ltd., Outstanding Local Government Bond Underwriter by Shanghai Stock Exchange, Outstanding Interest Rate Bond Underwriter by Shenzhen Stock Exchange and other honorary titles.

Table 1: The underwriting amount and number of issued projects of major types of bond of the Company

Type of bonds	Underwriting amount *(RMB100 million)*	Number of issued projects	Industry ranking
Interbank products (including medium-term notes, short-term financing bonds and private placement notes)	563.65	149	3
Corporate bonds	587.41	122	16
Asset securitization	1,380.91	442	7
Non-policy financial bonds	1,042.71	69	9
Local government bonds	489.84	713	6
Others	60.95	8	/

Note: Others include the corporate bonds and exchangeable bonds.

3. Overseas investment banking business

The Company conducts its overseas investment banking business mainly through its Hong Kong subsidiary. In 2020, the Hong Kong subsidiary completed 1 exclusive sponsorship project and 14 IPO underwriting projects in H-share market, ranking 19th in the Hong Kong market by the number of projects, and 7th among Chinese-funded investment banks. During the year, 18 overseas bond underwriting projects and 5 financial consulting projects and 4 compliance consulting projects were completed.

4. Financial leasing business

The Company promotes its finance lease business mainly through Everbright Leasing. In 2020, Everbright Leasing adhered to professional operations and carried out innovation and transformation while continuing to promote its business. In 2020, a total of 18 new projects had been launched, with a total investment of RMB1.167 billion in financial leasing business; a cumulative project investment of RMB14.381 billion had been completed, with a cumulative rental recovery of RMB12.304 billion; the balance of financial lease loans receivable at the end of the period was RMB3.011 billion.

(III) Institutional customer business segment

1. Institutional trading business

In 2020, the Company adjusted the service model in a timely manner and improved efficiency of customer service through the organic integration of online and offline services. The Company improved the graded management of customers, consolidated the basis of businesses and strived to enhance the profitability, achieving significant increase in revenue from institutional trading; the Company strengthened marketing coordination and planning and beefed up efforts in the building of service brands to consistently improve the quality of services for institutional customers. Meanwhile, the Company actively developed non-public offering customers and was awarded the "Most Anticipated Securities Company for Venture Capitals" (最受險資歡迎證券公司). In 2020, the income from seats commission of the Company recorded a year-on-year increase of 52.33%, of which, the income from fund seats commission recorded a year-on-year increase of 44.15%. As of the end of 2020, the market share of net income from seats commission of the Company was 3.38%, representing a decrease of 0.43 percentage point as compared to the end of 2019.

2. Prime brokerage business

In 2020, the Company continuously focused on commercial banks and wealth management subsidiaries, large private equity institutions and trust companies, and provided comprehensive high-quality one-stop integrated services centered on trading system, investment research, financial product evaluation, fundraising and FOF/MOM investment to create the prime brokerage service market brand of the Company. As of the end of 2020, the Company had cumulatively cooperated with a total of 1,115 private equity institutions, representing a year-on-year increase of 18%, and introduced a total of 3,072 PB products, representing a year-on-year increase of 30%. There were 1,681 existing PB products, representing a year-on-year increase of 19%.

3. Asset custodian and outsourcing business

In 2020, the Company vigorously expanded the custodian and outsourcing business of private equity investment funds and consolidated the outsourcing business on the registration of trust shares. The Company actively prepared for seizing the custodian business of mutual funds and explored the outsourcing business on the valuation of standard product trust and futures asset management after obtaining the custodian qualification of securities investment fund. The Company further improved its risk control, security assurance, operational capabilities and professional standards of fund outsourcing business, and passed certification of International Standard on Assurance Engagements (ISAE) 3402. The scales of private equity fund outsourcing services, new public offering custodian and trust share registration services amounted to RMB46.1 billion, RMB6.9 billion and RMB197.3 billion, respectively.

4. Investment research business

In 2020, adhering to a unique positioning of "cross-market and cross-category asset allocation advisory capabilities driven by macro-capacity" in the investment research business, the Company focused on "developing Everbright branded research products". The Company held one large investor strategy conference, released a total of 4,832 research reports and provided 19,748 roadshow services for institutional clients. The Company provided a number of investment research businesses such as joint research, expert communications and teleconferences based on a multi-channel service model with online-offline integration, among which 721 online activities of all kinds were held. It hosted high-end and summit forums, forums on energy and Internet-based industries, education salons and other offline special forums. The Company strengthened research and planning, and closely followed market hotspots. As of the end of 2020, the Company tracked and researched 692 A-share listed companies and 164 overseas listed companies, with market influence continuing to increase.

5. Overseas institutional trading business

In 2020, the institutional sales income from Hong Kong subsidiaries represented a year-on-year increase of 40%. They enhanced early promotion in the primary market, improved the trading system and introduced well-known funds for business cooperation.

(IV) Investment trading business segment

1. Proprietary equity investment business

In 2020, the Company's proprietary equity investment business continued to optimize the investment research system. Adhering to the investment concepts and the established strategic orientations and with fundamentals as the anchor, it strictly controlled risks, conducted key layouts and consistently adjusted and optimized the portfolio structure, achieving remarkable investment returns. Among them, the yield of equity investment businesses significantly outperformed the market. The derivatives business currently focused on the exchange-traded options market making business and the cultivation and improvement of trading hedging ability. For the OTC options business, the Company closely followed the business, reviewed the business system and adjusted the team structure to consolidate the foundation for business expansion. The Company actively advanced GDR market making and cross-border conversion business of Shanghai-London Stock Connect and cross-border conversion business based on regulatory requirements. The NEEQ market making business focused on revitalizing stock assets. As of the end of 2020, the Company provided market-making and quotation services for 2 NEEQ quoted companies.

2. Proprietary fixed income investment business

In 2020, for the proprietary fixed income investment business, the Company seized market opportunities and appropriately adjusted trading strategies to increase investment returns. It researched and judged the trend of interest rates and grasped trading opportunities to boost returns through strategies such as basis trading, swap arbitrage and futures arbitrage. It maintained balanced allocation in high-quality credit bonds to improve the static yield rate of assets and increased the allocation in convertible bonds with high resilience. The Company strictly controlled new credit risks; and formulated the disposal system on the secondary market to reduce the exposure to risks. It further reduced financing costs and expanded financing channels; conducted income receipts business; and carried out innovative financing through derivatives transaction portfolios and structural income receipts. The Company actively developed the credit rating model, improved the investment research system; developed a model on the evaluation of default risks and established a model framework based on logistic regression; and established a research team and focused on the establishment a perfect research system on macro interest rates.

(V) Asset management business segment

1. Asset management business

The Company mainly conducts asset management business through its wholly-owned subsidiary, Everbright Asset Management. In 2020, Everbright Asset Management focused on the origin of active management and continued to optimize the structure of internal teams and improve the business quality and efficiency. It further strengthened its investment and research capabilities, actively developed diversified product types and investment strategies and enhanced its active management capabilities. In addition, Everbright Asset Management promoted the rectification of massive collective products in an orderly manner in strict compliance with regulatory requirements. As of the end of 2020, Everbright Asset Management has completed the public offering transformation of nine massive collective products. The total AUM amounted to RMB233.612 billion, representing a decrease of 4.21% from the beginning of the year. The assets under active management amounted to RMB174.235 billion, representing an increase of 14.5% from the beginning of the year, and the scale of the assets under active management accounted for 74.58% in the total asset of AUM.

2. Funds management business

The Company mainly conducts funds management business through its controlling subsidiary, Everbright Pramerica. Everbright Pramerica has been actively promoting the stable development of all businesses of the Company in 2020. In terms of AUM, it actively seized the equity market conditions and promoted the launch of equity products. In terms of product layout, Everbright Pramerica has designed and developed various mutual securities investment funds and wealth management products for special accounts. During the year, Everbright Pramerica submitted the fundraising applications for nine mutual funds to the CSRC. The Company had 56 mutual funds and 27 products for special accounts under management and the total AUM amounted to RMB117.5 billion. The AUM of mutual funds amounted to RMB106.9 billion, representing an increase of 24% from the end of 2019 and the size of mutual funds excluding currency wealth management was RMB79.4 billion.

3. Overseas asset management

As of the end of 2020, the overseas AUM of Hong Kong subsidiaries amounted to HK$3.8 billion. Benefiting from the long-term stable income performance of asset management products, 2 new asset management products were set up during the year and the size of assets under active management recorded a year-on-year increase of 47% to HK$2.44 billion. All products under the business outperformed the income of relevant indexes through deepening investment research and driving investment during the year.

(VI) Equity investment business segment

1. Private fund investment and financing business

The Company mainly conducts private fund investment and financing business through its wholly-owned subsidiaries, Everbright Capital and Everbright Development. In 2020, for direct investment projects and existing fund business, Everbright Capital took proactive measures to rectify such business to ensure they are in line with the regulatory requirements and strengthened post-investment management of the existing investment projects, properly solving risks. Everbright Development continued to promote the stable business development and guaranteed the stable operation of existing products. It steadily advanced the withdrawal of projects and strengthened internal and external linkage and coordination to provide diversified investment and financing channels for serving real economies by financial institutions. As of the end of 2020, Everbright Development and its subsidiary fund management institutions established 5 investment funds on government-enterprise cooperation with a paid-up scale of RMB20.3 billion; and have completed withdrawal from one fund.

2. Alternative investment business

The Company mainly conducts alternative investment business through its wholly-owned subsidiary, Everbright Fortune. As an alternative investment subsidiary of the Company, Everbright Fortune reshaped business positioning and actively promoted and implemented relevant work on follow-up investment in the Sci-tech Innovation Board. As of the end of 2020, it has completed follow-up investment in seven companies on the Sci-tech Innovation Board. In terms of post-investment management, Everbright Fortune vigorously strengthened the construction of post-investment management staff and implemented refined post-investment management to ensure the safe and orderly withdrawal of projects. It has completed a new round of financing for various projects with direct investment, boosting the valuation.

3. Overseas structured financing business

The overseas structured financing business is devoted to developing the coordinated integration of domestic and overseas businesses, and strengthening the post-investment management of the existing business. As of the end of 2020, the overseas structured financing business had 5 existing projects with an investment balance of approximately HK$1.282 billion.

III. STRENGTHENING COMPLIANCE AND RISK CONTROL MANAGEMENT TO OPTIMIZE THE INTERNAL CONTROL SYSTEM

(I) Intensifying internal control to improve risk management

Since 2020, facing the outbreak of the COVID-19 pandemic and the complex and changing market environment, the Company profoundly recognized the importance of preventing and dissolving material risks. Based on the requirements on high-quality development and focusing on the theme of enhancing the effectiveness of risk control, the Company further optimized the establishment of the risk management system and firmly held to the bottom line of preventing systematic financial risks, maintaining all risks of the Company under control.

In order to effectively manage and control risks, and under the guiding ideology of "based on the original source of business, consolidating the foundation, steady and compliance operation and strictly sticking to the bottom line", the Company stressed the Party leadership, strengthened the construction of the "three defense lines of marketing, approval and supervision, and strategic firewall, professional firewall, system firewall and information firewall" (三線四墻) system, consolidated the foundation of risk management and enhanced active management capabilities. The Company has implemented various initiatives in the reform and improvement of the risk management mechanism: First, the Company optimized the risk decision-making mechanism. It has improved the functions of the Risk and Compliance Management Committee to coordinate the management of risk, compliance and internal control matters. It has optimized the project review committee and established the professional

evaluation mechanism to enhance the independent review of projects. Second, the Company improved the credit risk control mechanism, formulated guidelines on credit risk judgment and credit grant and strictly implemented the unified credit granting mechanism, the blacklist of debtors, the centralized control and foresight on the unreliable entities lists to enhance the forward-looking risk control and management. Third, the Company strengthened the internal control management. It strictly controlled innovative business access, implemented inspections and reviews on key links, intensified risk evaluation and accountability management and consistently improved internal control and operational risk management system based on operational risk management instruments. Fourth, the Company strengthened vertical management and control over subsidiaries. With risk preference, credit inspection, innovation review, risk monitoring and other control and management mechanism fully covering subsidiaries, it implemented the unified management and control mechanism of the Group. Fifth, the Company further standardized and enhanced risk disposal and dissolving, introduced risk assets management systems and established coordinated management systems on risk disposal and dissolving to consistently advance the disposal and dissolving of risks in an orderly manner.

The Company strictly implemented the relevant requirements of the regulatory authorities and fully established capital supplementary mechanisms for dynamic monitoring of risk control indicators: (1) the Company has formulated risk management indicator and pressure test management system, specified risk management indicator, dynamic monitoring, pressure test, emergency treatment and supplementary mechanism; (2) the Company has established the Risk controlling indicator monitoring system, and continue to update and upgrade system according to regulatory guidance of regulatory authorities; (3) the Company regularly or irregularly carries out risk control index stress test according to needs, and reasonably evaluates the Company's index bearing capacity; (4) the Company has established a dynamic risk control index monitoring and capital supplement mechanism, to ensure the net capital and other risk control index is in compliance with standard requirement. During the Reporting Period, the Company's core risk control indicators performed well and met regulatory standards.

(II) Strictly adhering to the bottom line of compliance operation and enhancing compliance management

Pursuant to the relevant rules of the CSRC, after considering its actual situation, the Company established a scientific and reasonable compliance management system with clear division of responsibilities. The compliance management system of the Company corresponds with its scope of operation, organizational structure and business scale. Firstly, the Company has built the philosophy of compliance and compliance culture and held the belief that every member of the Company, led by the management, should put compliance into practice as compliance creates values and is the foundation of the Company's existence in the market. Secondly, the Company specified the objectives and standards of compliance management and established a scientific, efficient and practically feasible compliance management system so as to effectively identify, assess and manage compliance risks and provide effective support and supervision for the Company to operate in compliance with laws and regulations. The Company's compliance management strictly complies with the principles of independence,

comprehensiveness, efficiency and authority. Thirdly, the Company improved the organizational structure and scope of responsibilities of compliance management. The Company established a sound compliance management and control mechanism according to the Measures for the Compliance Management of Securities Companies and Securities Investment Fund Management Companies and relevant requirements, specifying the corresponding duties of the Board of Directors, the Supervisory Committee, major persons-in-charge of operations management, the chief compliance officer, other executives, the compliance and management department and the compliance management staff. As a result, the Company comprehensively improved its compliance management responsibility system covering decision making, implementation, supervision and feedback. Fourthly, the Company ensured the performance of duties of the chief compliance officer and the compliance management staff by setting up safeguarding systems in relation to remuneration and assessment as well as fully protecting the chief compliance officer and the compliance management staff's rights to know and investigate as required in the performance of their duties. Fifthly, the Company clarified the reporting and handling mechanisms of infringements of laws and regulations and potential compliance risks and formulated reporting responsibilities, methods and handling mechanisms accordingly. Sixthly, the Company further improved its compliance assessment and accountability mechanisms and established a compliance management and control mechanism that links accountability, assessment and performance appraisal results and remuneration payment.

IV. IMPROVING CORPORATE GOVERNANCE SYSTEM AND MECHANISM TO LEVELING UP DAILY OPERATION OF THE BOARD OF DIRECTORS

(I) Convening general meetings and implementing the proposals and the profit distribution

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

(II) Discharging of duties and training of the Board of Directors and the Board Committees

In accordance with the relevant provisions of the Articles of Association and the rules of procedure of the committees, the Board committees have conscientiously discharged their duties and given full play to their professional advantages to strongly support the decision-making of the Board of Directors. During the Reporting Period, the Board of Directors held eleven meetings, including five meetings held both on-site and by teleconference and six meeting by teleconference, to consider more than forty proposals and fully played the role of standardized and efficient consideration and scientific decision-making in major events of the Company. The Board committees of the Company had convened fourteen meetings, including five meetings of the Remuneration, Nomination and Credentials Committee, six meetings of the Audit Committee, and three meetings of the Risk Management Committee.

During the Reporting Period, certain Directors of the Company participated in trainings on work performance for directors, supervisors and senior management under the new Securities Law provided by King & Wood Mallesons and the trainings for directors and supervisors of companies listed in Hong Kong provided by Clifford Chance as well as the second batch of the first session of online training for directors and supervisors of listed companies in 2020 organized by the Listed Companies of Association of Shanghai and the first follow-up training for independent directors of listed companies in 2020 by the SSE.

(III) Remuneration of Directors and senior management

The remuneration of the Independent Directors of the Company is determined by the general meeting in the light of the average level adopted by the listed companies in the same industry and the actual situation of the Company. Except for the Executive Directors, other Directors have not been paid by the Company. According to the relevant Board resolutions, the criteria of bonus based on annual performance of the senior management of the Company shall be considered and approved by the Remuneration, Nomination and Credentials Committee under the Board. According to the relevant requirements of the Code of Corporate Governance of Securities Companies, over 40% of the annual performance-linked remuneration of the senior management of securities companies should be paid in a deferred manner with a term of not less than three years. The Company has not implemented non-cash compensation program, such as equity or options, etc.

(IV) Particulars of information disclosure and investor relationship management

The Board of Directors attaches great importance to information disclosure and urges the Company to disclose information comprehensively and normatively to ensure the authenticity, accuracy and completeness. During the Reporting Period, the Company prepared and released several regular reports, including the 2019 Annual Report, quarterly reports for the first and third quarters in 2020 and the interim report of 2020, and 119 extraordinary reports. The Company also attaches great importance to investor relationship management. During the Reporting Period, the Company conducted more than 40 multi-dimensional in-depth exchanges with domestic and foreign core analysts, and rolled out a number of road shows. The Company also positively interacts with investors by responding to investors about issues of common concern through e-interactive platform of the SSE, telephone and e-mail.

V. DISCHARGING OF DUTIES BY THE DIRECTORS IN 2020

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

(I) Attendance of Directors of the Sixth Session at board meetings and general meetings

			Attendance at the Board meetings					Attendance at general meetings
Name of the Director	Whether or not he/she is an independent Director	Number of Board meetings requiring attendance during the year *(times)*	Attendance in person *(times)*	Attendance by communication *(times)*	Attendance by proxy *(times)*	Absence *(times)*	Whether or not he/she failed to attend the meeting in person for two consecutive times	Number of general meetings attended *(times)*
Yan Jun	No	1	1	0	0	0	No	0
Liu Qiuming	No	1	1	0	0	0	No	0
Song Bingfang	No	1	1	1	0	0	No	0
Fu Jianping	No	1	1	0	0	0	No	0
Yin Lianchen	No	1	1	1	0	0	No	0
Chan Ming Kin	No	1	1	1	0	0	No	0
Tian Wei	No	1	1	1	0	0	No	0
Yu Mingxiong	No	1	1	1	0	0	No	0
Wang Yong	Yes	1	1	0	0	0	No	0
Po Wai Kwong	Yes	1	1	1	0	0	No	0
Ren Yongping	Yes	1	1	0	0	0	No	0
Yin Junming	Yes	1	1	0	0	0	No	0
Liu Yunhong	Yes	1	1	0	0	0	No	0

Note: The appointment of members of the sixth session of the Board became effective from December 15, 2020.

(II) Attendance of Directors of the Fifth Session at board meetings and general meetings

			Attendance at Board meetings					Attendance at general meetings
Name of Director	Whether or not he/she is an independent Director	Number of Board meetings requiring attendance during the year *(times)*	Attendance in person *(times)*	Attendance by communication *(times)*	Attendance by proxy *(times)*	Absence *(times)*	Whether or not he/she failed to attend the meeting in person for two consecutive times	Number of general meetings attended *(times)*
Yan Jun	No	10	10	6	0	0	No	4
Liu Qiuming	No	7	7	6	0	0	No	2
Song Bingfang	No	10	10	9	0	0	No	0
Yin Lianchen	No	10	10	7	0	0	No	0
Chan Ming Kin	No	10	10	10	0	0	No	0
Xue Keqing	No	10	10	8	0	0	No	0
Meng Xiangkai	No	7	7	6	0	0	No	0
Xu Jingchang	Yes	10	10	9	0	0	No	0
Xiong Yan	Yes	10	10	9	0	0	No	0
Li Zheping	Yes	10	10	8	0	0	No	0
Au Sing Kun	Yes	10	10	9	0	0	No	1
Wang Yong	Yes	10	10	7	0	0	No	0

Note 1: Mr. Liu Qiuming's qualification as an executive director came into effect from March 13, 2020. During the Reporting Period, Mr. Liu Qiuming was required to attend 7 meetings of the fifth session of the Board and actually attended 7 meetings of the fifth session of the Board.

Note 2: Mr. Meng Xiangkai has resigned on June 4, 2020. During the Reporting Period, Mr. Meng Xiangkai was required to attend 7 meetings of the fifth session of the Board and actually attended 7 meetings of the fifth session of the Board.

2020 Report of the Supervisory Committee
of
Everbright Securities Company Limited

In 2020, the Supervisory Committee of the Company strictly abided by the relevant laws and regulations such as the Company Law, the Securities Law, the Articles of Association, the Rules of Procedures for the Supervisory Committee, etc., fulfilled their duties carefully and diligently, supervised the Company's legal and compliant operation, financial condition, the performance of duties by the Board of Directors and the management of the Company, and completed the various routine and key work of the Supervisory Committee in 2020, promoting the Company's standardized and healthy development, and effectively safeguarding the legitimate rights and interests of the Company, all Shareholders and employees.

I. MAIN WORK OF THE SUPERVISORY COMMITTEE IN 2020

1. Successfully completing election and change of the sixth session of the Supervisory Committee and its special committees

The fifth session of the Board of Directors of the Company was elected at the fourth extraordinary general meeting in 2017 and officially began to perform duties from October 17, 2017. As such, an election and change of session of the Board of Directors should be carried out in 2020.

In accordance with the relevant laws and regulations and the Articles of Association, by going through a series of legal procedures including nomination of candidates for Supervisors, election by the Supervisory Committee, voting at the general meeting, qualification approval and public disclosure of relevant information, the Supervisory Committee of the Company successfully completed the election and change of the sixth session of the Supervisory Committee, the election of chairman of the Supervisory Committee and the establishment of special committees of the Supervisory Committee. The sixth session of the Supervisory Committee was officially formed and began to perform duties on December 15, 2020.

2. Convening meetings of the Supervisory Committee in accordance with laws and regulations

During the Reporting Period, the Supervisory Committee held six meetings, including four meetings held by way of communication, and two meetings held by way of on-site and communication.

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

Table 1 Discharging of duties by the current Supervisors

Name	**Number of Supervisory Meetings required to attend** *(times)*	**Attendance in person** *(times)*	**Attendance by communication** *(times)*	**Attendance by proxy** *(times)*	**Absence** *(times)*
Liu Jiping	6	2	4	0	0
Wu Chunsheng	1	1	0	0	0
Wang Hongyang	6	0	6	0	0
Yang Weirong	1	1	0	0	0
Zhu Wuxiang	6	0	6	0	0
Cheng Fengchao	1	1	0	0	0
Wang Wenyi	6	2	4	0	0
Huang Qin	6	2	4	0	0
Li Xianzhi	6	1	5	0	0

Note: As newly-appointed Supervisors of the sixth session of the Supervisory Committee, Mr. Wu Chunsheng, Mr. Yang Weirong and Mr. Cheng Fengchao officially began to perform duties from December 15, 2020. During the Reporting Period, the re-election of the Supervisory Committee of the Company was completed and the remaining Supervisors were successfully re-elected.

During the Reporting Period, the Supervisory Committee reviewed and listened to 29 proposals, including 18 voting proposals and 11 non-voting proposals, with details set out as follows:

Table 2 Meetings of the Supervisory Committee convened in 2020

Date	Meeting	Proposal	Voting result
January 22, 2020	Thirteenth meeting of fifth session of Supervisory Committee	To consider and approve the Resolution in Respect of Making Provision for Accrued Liabilities and Assets Impairment	For: 8 votes Against: 0 vote Abstain: 0 vote
		To consider and approve the Plan for Performance Evaluation of Directors of the Company	For: 8 votes Against: 0 vote Abstain: 0 vote
March 26, 2020	Fourteenth meeting of fifth session of Supervisory Committee	To hear the Report on the Operation of the Company in 2019	No voting is required
		To consider and approve the Resolution in Respect of Annual Report and Abstract of the Company in 2019	For: 8 votes Against: 0 vote Abstain: 0 vote
		To consider and approve the Resolution in Respect of Work Report of Supervisory Committee of the Company in 2019	For: 8 votes Against: 0 vote Abstain: 0 vote
		To consider and approve the Resolution in Respect of Evaluation Report of Internal Control of the Company in 2019	For: 8 votes Against: 0 vote Abstain: 0 vote
		To review the Resolution of Internal Control Audit Report of the Company in 2019	No voting is required
		To hear the Internal Audit Work Report of the Company in 2019	No voting is required
		To consider and approve the Resolution in Respect of Risk Control Indicator Regulatory Statement of the Company in 2019	For: 8 votes Against: 0 vote Abstain: 0 vote
		To consider and approve the Resolution in Respect of the Risk Evaluation Report of the Company in 2019	For: 8 votes Against: 0 vote Abstain: 0 vote
		To hear the Report on Special Risks of the Company	No voting is required

Date	Meeting	Proposal	Voting result
		To consider and approve the Resolution in Respect of the Compliance Work Report of the Company in 2019	For: 8 votes Against: 0 vote Abstain: 0 vote
		To consider and approve the Resolution in Respect of Social Responsibility Report/ESG Report of the Company in 2019	For: 8 votes Against: 0 vote Abstain: 0 vote
		To consider and approve the Resolution in Respect of Performance Evaluation Results of Directors of the Company in 2019	For: 8 votes Against: 0 vote Abstain: 0 vote
		To consider and approve the Resolution in Respect of Work Plan of Supervisory Committee of the Company in 2020	For: 8 votes Against: 0 vote Abstain: 0 vote
April 28, 2020	Fifteenth meeting of fifth session of Supervisory Committee	To hear the Report on the Operation of the Company in the First Quarter of 2020	No voting is required
		To consider and approve the Resolution in Respect of the First Quarterly Report of the Company in 2020	For: 8 votes Against: 0 vote Abstain: 0 vote
August 25, 2020	Sixteenth meeting of fifth session of Supervisory Committee	To hear the Company's Operation Report for the First Half of 2020	No voting is required
		To consider and approve the Resolution in Respect of Changes in Accounting Policies of the Company	For: 7 votes Against: 0 vote Abstain: 0 vote
		To consider and approve the Resolution in Respect of Interim Report and Abstract of the Company in 2020	For: 7 votes Against: 0 vote Abstain: 0 vote
		To hear the Risk Assessment Report of the Company in the First Half of 2020	No voting is required
		To hear the Report on Progress in Risk Control Indicator Consolidated Statement of the Company	No voting is required
		To hear the Report on the Establishment of the Internal Control System and Management of the Company in the First Half of 2020	No voting is required
		To hear the Internal Audit Work Report of the Company for the First Half of 2020	No voting is required

Date	Meeting	Proposal	Voting result
October 28, 2020	Seventeenth meeting of fifth session of Supervisory Committee	To hear the Report on the Operation of the Company for the First Three Quarters of 2020	No voting is required
		To consider and approve the Resolution in Respect of the Third Quarterly Report of the Company in 2020	For: 7 votes Against: 0 vote Abstain: 0 vote
		To consider and approve the Resolution in Respect of the Nomination of Candidates of Supervisors of the Sixth Session of the Supervisory Committee of the Company	For: 7 votes Against: 0 vote Abstain: 0 vote
December 15, 2020	First meeting of the sixth session of the Supervisory Committee	To consider and approve the Resolution in Respect of the Election of Mr. Liu Jiping as the Chairman of the Sixth Session of the Supervisory Committee of the Company	For: 9 votes Against: 0 vote Abstain: 0 vote
		To consider and approve the Resolution in Respect of the Election of Members of Special Committees of the Sixth Session of the Supervisory Committee of the Company	For: 9 votes Against: 0 vote Abstain: 0 vote

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

During the Reporting Period, the members of the Supervisory Committee of the Company attended four general meetings and seven on-site meetings of the Board of Directors and its special committees, and supervised the meeting procedures and decision-making process in accordance with laws. The members of the Supervisory Committee carefully reviewed the relevant meeting documents and put forward opinions and suggestions on the Company's strategy development and implementation, operation and business development, financial situation, compliance work, risk management, team building, institutional arrangements and management of subsidiaries.

4. Enhancing organizational construction and intensifying reporting mechanism of supervisory departments

In order to better and further display the supervisory functions of the Supervisory Committee and effectively handle relevant routine work of the Supervisory Committee, the Company established the working team under the Supervisory Committee with a responsible person and professional employees in March 2020, which guaranteed the Supervisory Committee to carry out work in an orderly manner and provided assistance to the performance of duties by the Supervisory Committee.

To further improve the reporting mechanism of the Supervisory Committee and strengthen the supervision of the Supervisory Committee on the management, the Company further improved the reporting mechanism for supervisory departments to report to the Supervisory Committee in 2020 and added contents on reporting issues identified by internal audit and other supervisory departments.

5. Strengthening the supervision on key issues and comprehensively deepening the supervision work

(1) Supervision on strategy

During the Reporting Period, the Supervisors of the Company participated in strategic symposiums with directors, supervisors and senior management and attended the meetings of the Board of Directors to fully understand the strategies of the Company. With the focus on the formulation and implementation of the medium- and long-term strategic plans of the Company, they proposed professional opinions on the formulation of strategic targets and implementation plans and effectively monitored the fulfillment of strategic targets and the implementation of strategies, practically displaying the leading role of strategies in corporate development.

(2) Supervision on finance

The Supervisors of the Company supervised the appointment of the accounting firm. Prior to the implementation of the audit on the annual financial report by the accounting firm, the Supervisors of the Company attended the meeting between the Audit Committee under the Board of Directors and the accounting firm and raised explicit requirements on the work quality. They carefully learnt about and reviewed the implementation of the annual audit by the external auditor and the final audit results. Meanwhile, the Supervisors of the Company deeply investigated and learnt about the changes in the Company's accounting policies and issued professional explanations.

The chairman of the Supervisory Committee is responsible for liaison with the audit department, regularly listens to the internal audit work, raises relevant requirements and opinions and provides overall guidance on the internal audit work. In addition, the chairman of the Supervisory Committee listens to the reporting of the responsible person of the planning and finance department at fixed time every month to practically learn about the financial conditions and risk points of the Company and deeply conduct financial supervision.

(3) Supervision on risk and internal control

The Supervisory Committee of the Company paid special attention to the establishment and improvement of the comprehensive risk management and governance structure, and the internal control management structure of the Company, constantly followed up the implementation of rectification of internal control defects, paid timely attention to the advice of regulatory authorities and main risks discovered during the inspections by external audit departments. The Supervisory Committee held regular meetings to review the Company's annual internal control evaluation report, compliance work report and risk assessment report, paid special attention to key risk areas, such as liquidity risk, credit risk, market risk and reputation risk, and evaluated relevant work and put forward suggestions for improvement. The Supervisors of the Company also attended

the meetings of the Board of Directors and the Risk Management Committee under the Board of Directors to effectively supervise the performance of duties by the Board of Directors and senior management on liquidation risk management, credit risk management, public opinion management and other key risk management.

6. Conducting in-depth internal and external research and investigation on the Company, and putting forward management recommendations

In order to further understand the Company's various businesses and provide constructive suggestions for the Company's decision-making, the Supervisory Committee actively strengthened its efforts in internal and external research and investigation. The Supervisory Committee mainly carried out the following researches during the year:

1. The chairman of the Supervisory Committee led the establishment of a coordination working group on supervision and inspection and regularly held working meetings with responsible persons of the Discipline Inspection and Supervision Department, the Legal and Compliance Department, the Risk Management and Internal Control Department, the Finance and Treasurer Department, the Internal Audit Department and other departments. They conducted in-depth researches with the focus on issues identified in supervision and inspection and risk judgment, carried out communications and coordination and continuously supervised the operation of the Company in compliance with laws and regulations to enhance the communications, coordination and cooperation among all supervision and inspection departments to form united forces in supervision.

2. To further learn about the operation of grassroots branches, the chairman of the Supervisory Committee inspected the Nanjing Branch and the securities brokerage branch at Yuetan North Street in Beijing, listened to relevant reports on operation, carried out in-depth communications with participants in the research on the integration of discipline inspection and compliance and other themes and proposed opinions and recommendations on the work in the following stage.

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

In order to further improve the skills of Supervisors in performing duties and strengthen the building of the Supervisory Committee, it actively arranged and urged Supervisors to attend relevant trainings organized by the Group, the regulatory authorities, the law firm and other institutions.

In April, members of the Supervisory Committee participated in the Trainings on Work Performance for Directors, Supervisors and Senior Management under the New Securities Law and the Trainings for Directors and Supervisors of Companies Listed in Hong Kong. All Supervisors actively participated in the trainings and carefully learnt relevant provisions and requirements of the new Securities Law as well as other relevant laws, regulations and rules, which further enhanced their capabilities to perform duties.

In November, members of the Supervisory Committee and relevant staff at the Supervisory Committee Office) participated in the Special Training for Supervisors within the Group in 2020 organized by the Everbright Group. It strengthened the communications and exchanges with the Group and associate units and deepened the understanding and thinking of the work of the Supervisory Committee.

In December, members of the new session of the Supervisory Committee participated in the Second Batch of the First Session of Online Training for Directors and Supervisors of Listed Companies in Shanghai in 2020 organized by the Listed Companies of Association of Shanghai, which prepared for effectively carrying out the supervision work by the Supervisory Committee.

II. SUPERVISORY COMMITTEE'S OPINIONS ON RELATED MATTERS OF THE COMPANY

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

1. During the Reporting Period, the Company made provision for estimated liabilities and assets impairment due to MPS and others. The Supervisory Committee of the Company believes that the provision for estimated liabilities and assets impairment is based on the principle of prudence and complies with the provisions of Accounting Standard for Business Enterprises and the Company's accounting policies, without prejudice against the interests of the Company nor all shareholders, especially minority Shareholders. The decision-making procedures of the provision for estimated liabilities and assets impairment are standard, and in compliance with relevant laws and regulations and the Articles of Association.

2. During the Reporting Period, the annual financial report for the year of 2019 was audited by the accounting firm Ernst & Young Hua Ming LLP, who issued a standard unqualified audit report. The Supervisory Committee believes that the financial report reflects the Company's financial situation and operating results accurately, objectively and completely.

   During the Reporting Period, the Supervisory Committee carried out research and studies on the changes to the Company's accounting policies and issued a special description as follows: Changing the accounting policies was a reasonable move conducted for the purpose of providing more reliable and relevant accounting information. The changes enabled the accounting policies of the Company to meet the relevant requirements of the Ministry of Finance, China Securities Regulatory Commission and Shanghai Stock Exchange, reflect the financial conditions and the

operating results of the Company in an objective and fair manner, as well as align with the interests of the Company and the Shareholders. The review procedure of changing the accounting policies satisfied the requirements of relevant laws and regulations and the requirements under the Articles of Association.

3. During the Reporting Period, the Company operated strictly in accordance with relevant laws and regulations. The decision-making process was lawful and valid, and without prejudice against the interests of the Company and shareholders.

4. During the Reporting Period, the Company's related party transactions were carried out fairly in accordance with the law, without prejudice to the interests of the Company.

5. During the Reporting Period, the Company's related policies including Measures on the Administration of Information Disclosure Matters and Measures of Registration of Insiders were implemented effectively. Relevant information was disclosed actually, accurately, timely and comprehensively to safeguard the fairness of information disclosure and protect the legitimate rights and interests of investors.

6. During the Reporting Period, the Supervisory Committee of the Company supervised the implementation of the resolutions of the general meetings of Shareholders. The Supervisory Committee holds the opinion that the Board of Directors can earnestly carry out the relevant resolutions of the general meetings of Shareholders, without prejudice to the interests of Shareholders.

7. During the Reporting Period, the Supervisory Committee considered and approved the Company's 2019 annual report compiled by the Board of Directors, and was of the opinion that the preparation and audit procedures of 2019 annual report and summary by the Board of Directors were in accordance with laws, administrative regulations and CSRC provisions, and the contents of the report reflects the actual situation of the Company truly, accurately and comprehensively. During the Reporting Period, the Supervisory Committee considered and heard the Evaluation Report of Internal Control of the Company in 2019, Internal Control Audit Report of the Company in 2019, the Compliance Work Report of the Company in 2019, Risk Evaluation Report of the Company in 2019 and Internal Audit Work Report of the Company in 2019, and has no objections towards these reports.

III. SPECIAL DESCRIPTION OF THE REMUNERATION AND ASSESSMENT OF THE SUPERVISORS

According to the relevant requirements of the Rules for Governance of Securities Companies, the Supervisory Committee hereby provides descriptions for the annual remuneration and assessment of the Supervisors for the year 2020 as follows: in 2020, the Company held six meetings of the Supervisory Committee, and the Supervisors actively attended the meetings of the Supervisory Committee in accordance with the relevant provisions

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

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

The Expected Ordinary Related Party (Connected) Transactions of the Company in 2021

Approved by the CSRC, the Company has been engaged in securities business, including the trading on securities and other financial products and brokerage services, whose counterparty and service targets also include the related (connected) parties of the Company. In order to perform well in the related party (connected) transaction management and information disclosure, the Company has estimated the ordinary related party (connected) transactions in the year of 2021 based on the needs of daily operation and business development of the Company and its subsidiaries (the "**Company**"), pursuant to the relevant laws, regulations and rules such as the Listing Rules of the Shanghai Stock Exchange, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Listing Rules**") and the measures for the management of related party (connected) transactions of the Company.

I. ORDINARY RELATED PARTY (CONNECTED) TRANSACTIONS IN THE YEAR OF 2020

The 22th Meeting of the fifth session of the Board of Directors and the 2019 General Meeting of the Company considered and approved the Proposal of Expected Ordinary Related Party/Connected Transactions of the Company in 2020. In 2020, the Company conducted business strictly within the scope of the ordinary related party (connected) transactions determined in the Proposal of Expected Ordinary Related Party/Connected Transactions of the Company in 2020.

Considered and approved by the 8th Meeting of the fifth session of the Board of Directors and the second extraordinary general meeting of the Company in 2018, the Company signed the Financial Products and Services Framework Agreement, the Property Leasing Framework Agreement and the Non-financial Miscellaneous Services Framework Agreement with China Everbright Group Ltd. ("**Everbright Group**") to arrange the possible ordinary related party (connected) transactions between the Company and Everbright Group and its subsidiaries and associates (the "**Members of Everbright Group**") from the year of 2019 to 2021, and disclosed the contents and annual caps of the above agreements. In 2020, the Company conducted business strictly in the amount within the annual caps.

The above ordinary related party (connected) transactions are conducted according to the market prices based on a fair and reasonable pricing standard, without prejudice against the interests of its non-related Shareholders. The transactions will not have adverse effect to the independence of the Company. The independent non-executive Directors of the Company have confirmed to the Board of Directors that they had reviewed the above ordinary related party (connected) transactions, and hold the opinion that such transactions:

1. The related party (connected) transactions of the Company in 2020 were entered into in the Company's ordinary and usual course of business;

2. The related party (connected) transactions of the Company in 2020 were entered into on normal commercial terms or better;

3. The related party (connected) transactions of the Company in 2020 were entered into according to the agreements regulating such related party (connected) transactions on terms that are fair and reasonable and in the interests of the Company's Shareholders as a whole.

Details of the ordinary related party (connected) transactions between the Company and the Members of Everbright Group in the year of 2020 are as follows:

1. Property leasing

Nature of the transaction	Category of the transaction	Expected amount in 2020 *(RMB10,000)*	Actual amount in 2020 *(RMB10,000)*	Percentage of amount of similar transactions
Property leasing business	Rental income	690	339	15.00%
	Rental expense	4,600	2,519	6.79%

2. Trading on securities and financial products

Nature of the transaction	Category of the transaction	Expected amount in 2020 *(RMB100 million)*	Actual amount in 2020 *(RMB100 million)*
Trading on securities and financial products	Total cash outflows generated by the trading of securities and financial products	2,800	1,651
	Total cash inflows generated by the trading of securities and financial products	2,800	1,689

3. Securities and financial services

Nature of the transaction	Category of the transaction	Expected amount in 2020 *(RMB10,000)*	Actual amount in 2020 *(RMB10,000)*	Percentage of amount of similar transactions
Securities and financial services	Income: providing securities and financial services	105,000	32,987	2.52%
	Expense: receiving securities and financial services	29,000	15,345	4.12%

4. Non-financial miscellaneous services

Nature of the transaction	Category of the transaction	Expected amount in 2020 *(RMB10,000)*	Actual amount in 2020 *(RMB10,000)*	Percentage of amount of similar transactions
Non-financial miscellaneous services	Income: providing non-financial miscellaneous services	400	0	0
	Expense: receiving non-financial miscellaneous services	8,600	694	3.78%

The relevant services or products between the Company and related legal persons and related natural persons are offered based on a unified standard and the pricing of relevant transactions was determined with reference to the market prices based on a reasonable and fair pricing standard. Related natural persons received securities and financial services offered by the Company and subscribed for securities and financial products issued by the Company in accordance with laws, regulations and regulatory requirements. Transactions of securities and financial services between the Company and related natural persons amounted to approximately RMB57,700 in 2020. The income and expenses for transactions of securities and financial services between the Company and other related legal persons (other than the members of Everbright Group) amounted to RMB17,950,000 and RMB11,070,000, respectively. Details of the transactions of securities and financial products between the Company and other related legal persons are as follows:

No.	**Related party**	**Category of the transaction**	**Expected amount in 2020** *(RMB100 million)*	**Actual amount in 2020** *(RMB100 million)*
1	CSC Financial Co., Ltd.	Total cash inflows generated by the trading of securities and financial products	Accounted at the actual generated amount due to the uncertainties of the occurrence and the scale of the businesses.	169.97
		Total cash outflows generated by the trading of securities and financial products		167.99
2	Caitong Fund Management Co., Ltd.	Total cash inflows generated by the trading of securities and financial products		6.74
		Total cash outflows generated by the trading of securities and financial products		5.74

II. EXPECTED ORDINARY RELATED PARTY (CONNECTED) TRANSACTIONS IN THE YEAR OF 2021

Referring to the related party (connected) transactions in recent years, the Company has estimated the ordinary related party (connected) transactions in the year of 2021 based on the needs of business development in the year of 2021. Details are as follows:

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

1. Property leasing

Nature of the transaction	Category of the transaction	Expected amount *(RMB10,000)*
Property leasing business	Rental income	800
	Rental expense	5,500

2. Trading on securities and financial products

Nature of the transaction	Category of the transaction	Expected amount *(RMB100 million)*
Trading on securities and financial products	Total cash inflows generated by the trading of securities and financial products	3,400
	Total cash outflows generated by the trading of securities and financial products	3,400

3. Securities and financial services

Nature of the transaction	Category of the transaction	Expected amount *(RMB10,000)*
Securities and financial services	Income: providing securities and financial services	120,000
	Expense: receiving securities and financial services	33,000

4. Non-financial miscellaneous services

Nature of the transaction	**Category of the transaction**	**Expected amount** *(RMB10,000)*
Non-financial miscellaneous services	Income: providing non-financial miscellaneous services	500
	Expense: receiving non-financial miscellaneous services	10,000

(II) Expected related party (connected) transactions with other related (connected) parties

1. Other related parties defined by the Listing Rules of the Shanghai Stock Exchange

Except for the Members of Everbright Group, according to the Listing Rules of the Shanghai Stock Exchange, other related parties of the Company include: (1) related natural persons, including directors, supervisors and senior management of Everbright Group and the Company and their close family members; (2) enterprises directly or indirectly controlled or whose directors or senior management have been served by the above related natural persons, except for Everbright Group and its affiliated enterprises as well as the Company and its holding subsidiaries; (3) legal persons, other organizations or natural persons who have been in one of the above circumstances in the past 12 months; (4) legal persons, other organizations or natural persons who will be in one of the above circumstances according to agreements or arrangements signed with the Company or the Company's related party, or after the effectiveness of the agreements or arrangements, or in the coming 12 months.

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

The expected related party (connected) transactions between the Company and the above related legal persons are as follows:

(1) *Property leasing*

Nature of the transaction	Category of the transaction	Expected amount
Property leasing business	Rental income	Accounted at the actual generated amount due to the uncertainties of the occurrence and the scale of the businesses
	Rental expense	

(2) *Trading on securities and financial products*

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

(3) *Securities and financial services*

Nature of the transaction	Category of the transaction	Expected amount
Securities and financial services	Income: providing securities and financial services	Accounted at the actual generated amount due to the uncertainties of the occurrence and the scale of the businesses
	Expense: receiving securities and financial services	

(4) *Non-financial miscellaneous services*

Nature of the transaction	Category of the transaction	Expected amount
Non-financial miscellaneous services	Income: providing non-financial miscellaneous services	Accounted at the actual generated amount due to the uncertainties of the occurrence and the scale of the businesses
	Expense: receiving non-financial miscellaneous services	

2. Other connected persons defined by the Hong Kong Listing Rules

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

III. OVERVIEW OF THE RELATED (CONNECTED) PARTIES AND THE RELATIONSHIP

1. Members of Everbright Group

As at the end of 2020, Everbright Group and through its affiliated company, China Everbright Limited (the "**Everbright Limited**"), had been holding 45.98% of equity of the Company.

Everbright Group was established in Beijing on November 12, 1990, with registered capital of RMB78,134,503,680 and the legal representative Mr. Li Xiaopeng, and mainly engaged in financial businesses investment and management, including banking, securities, insurance, funds, trust, futures, leasing, gold and silver transactions; asset management; investment and management of non-financial business. (Market entity can independently select business projects and carry out operating activities in accordance with law. For projects requiring approval according to law, the operating activities can be commenced according to the approved content after the approval of the relevant departments. Operating activities prohibited and restricted by the industrial policies of the State and local city shall not be engaged.)

Established on August 25, 1972 in Hong Kong with the chairman of the Board of Directors Mr. Zhao Wei, Everbright Limited is a Hong Kong listed company with alternative asset management as its core business. Everbright Group is the company's largest shareholder, holding 49.74% of its shares. The company is committed to becoming "the world's leading cross-border asset management company", with fund management and its own capital investment as its main business operations. On the one hand, the company focuses on the development of fund management business, on the other hand, it provides the funds needed for project cultivation and fund development through its own fund investment business, and promotes overall and sustainable development.

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

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

2. Other related parties defined by the Listing Rules of the Shanghai Stock Exchange

Except for the Members of Everbright Group, according to the Listing Rules of the Shanghai Stock Exchange, other related parties of the Company include: (1) related natural persons, including directors, supervisors and senior management of Everbright Group and the Company and their close family members; (2) enterprises directly or indirectly controlled or whose directors or senior management have been served by the above related natural persons, except for Everbright Group and its affiliated enterprises as well as the Company and its holding subsidiaries; (3) legal persons, other organizations or natural persons who have been in one of the above circumstances in the past 12 months; (4) legal persons, other organizations or natural persons who will be in one of the above circumstances according to agreements or arrangements signed with the Company or the Company's related party after the effectiveness of such agreements or arrangements, or in the coming 12 months; such as China Shipbuilding Capital Limited, etc.

IV. THE MAIN CONTENTS AND PRICING POLICY OF RELATED PARTY (CONNECTED) TRANSACTIONS

1. Property leasing business

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

2. Trading on securities and financial products

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

3. Securities and financial services

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

4. Non-financial miscellaneous services

Non-financial miscellaneous services transactions include 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, advertising places, logistics, warehouse and other non-financial miscellaneous services. The transaction price of each of the above non-financial miscellaneous services shall be determined, in accordance with relevant laws and regulations and general business transaction terms, after arm's length negotiation based on conditions not less than where such services are obtained from or provided to third parties.

V. EFFECTS OF THE ORDINARY RELATED PARTY (CONNECTED) TRANSACTIONS TO THE COMPANY

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

PROPOSAL OF THE GENERAL MANDATE TO ISSUE ONSHORE AND OFFSHORE DEBT FINANCING INSTRUMENTS TO THE COMPANY

Pursuant to the relevant laws and regulations, regulatory rules and market practice, in order to seize market opportunities, improve financing efficiency and optimize debt structure, it is proposed at the general meeting to authorize the Board and approve the Board of Directors to delegate the authorization to the Company's management, to deal with all matters in connection with the issuance of debt financing instruments, adhering to the principle of maximizing the interest of Shareholders of the Company, provided that the leverage ratio, risk control indicators and risk limits of various debt financing instruments shall be in compliance with the requirements of the regulatory authorities. Details of the contents are set out as follows:

1. Issuer

The issuer of the domestic and overseas debt financing instruments shall be the Company or the wholly-owned or controlled subsidiaries or special purpose vehicles of the Company. The Company may establish a direct or indirect wholly-owned overseas subsidiary for the issuance of the domestic and overseas debt financing instruments. The registered capital of the direct or an indirect wholly-owned overseas subsidiary to be established shall be based on the demands in the issuance of debt financing instruments and the name of the subsidiary shall be subject to final approval and registration by the authorities responsible for approval and registration. In case of the issuance of asset-backed securities, the Company or the wholly-owned subsidiaries of the Company shall be the originator and the asset services provider.

2. Type of Debt Financing Instruments

The types of the domestic and overseas debt financing instruments referred to in this resolution shall include but not be limited to: domestic short-term corporate bonds of securities companies, financial bonds, corporate bonds, subordinated bonds (including perpetual subordinated bonds), asset-backed securities, renewable bonds and other types to be issued with the approval of regulatory authorities; overseas debt financing instruments such as foreign currency (such as USD and EUR) corporate bonds and offshore Renminbi corporate bonds issued overseas, medium-term notes programme, notes (including but not limited to commercial notes), renewable bonds, subordinated bonds (including perpetual subordinated bonds) and commercial loans with a term of over 1 year as well as other types to be issued with the approval of regulatory authorities.

The onshore and offshore debt financing instruments mentioned above do not carry any share conversion provisions, and are not linked to the Shares of the Company and any other derivatives of the equity.

Types and ranking of payment of the Company's onshore and offshore debt financing instruments will be determined in accordance with relevant regulations and market conditions at the time of issuance.

3. Size of Issuance

The total balance of the domestic and overseas debt financing instruments shall not be more than RMB140 billion (including RMB140 billion calculated at the outstanding balance after the issuance; if issued in foreign currencies, converted on the basis of the central parity rate announced by the People's Bank of China on the date of issuance), of which, the balance of capital supplemental bonds[1] shall not be more than RMB25 billion (including RMB25 billion) and in compliance with relevant requirements under relevant laws and regulations governing the maximum amount of domestic and overseas debt financing instruments to be issued. The Company's management shall determine the size of all types of domestic and overseas debt financing instruments with different validity periods based on market conditions and the capital demands of the Company.

4. Method of Issuance

The domestic debt financing instruments shall be reviewed and approved by or filed with the CSRC and other regulatory authorities or relevant departments in accordance with relevant provisions. The domestic debt financing instruments shall be issued publicly on a one-off-issue, multiple-issue or multiple-tranche basis to ordinary or professional investors or non-publicly to professional investors in accordance with relevant provisions of the CSRC. The overseas debt financing instruments shall be issued publicly or privately on a one-off-issue, multiple-issue or multiple-tranche basis outside of the PRC.

5. Term of Debt Financing Instruments

The term of the domestic and overseas debt financing instruments shall not be longer than 10 years (including 10 years), and may be a type of instrument with a single term or a hybrid of instruments with multiple terms. The issuance of perpetual subordinated bonds, renewable bonds and other types without fixed terms shall not be subject to the above term. The composition of specific validity periods and the size of types with different validity periods shall be presented to a general meeting to authorize the Board of Directors and approve the Board of Directors to delegate the authorization to the Company's management to determine based on relevant provisions and the market conditions upon the issuance.

6. Interest Rates of Debt Financing Instruments

The interest rates of the domestic and overseas debt financing instruments to be issued and the methods of the calculation and payment of such interest rates shall be determined after negotiation with the underwriter (if any) based on the market conditions at the time when the domestic and overseas debt financing instruments are being issued and in accordance with relevant applicable laws and regulations.

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[1] refers to debt financing instruments such as subordinated bonds, perpetual subordinated bonds and other bonds to supplement the net capitals of the Company.

7. Guarantees and Other Credit Enhancement Arrangements

The issuer of the domestic and overseas debt financing instruments shall be the Company or a qualified wholly-owned subsidiary of the Company, for which the Company, the wholly-owned subsidiary and/or a third party shall provide (counter) guarantees (if necessary) and issue a letter of support (if necessary) and other credit enhancement arrangements based on the demand of each issuance according to laws. Specific credit enhancement arrangements shall be presented to a general meeting to authorize the Board of Directors and approve the Board of Directors to delegate the authorization to the Company's management to determine.

8. Purpose of Proceeds

The proceeds from the issuance of the domestic and overseas debt financing instruments shall be used to fund working capital, repay due debts, optimize the debt structure and the business structure, replenish its working capital and/or project investments as well as other uses in accordance with relevant applicable laws and regulations and/or as approved by the regulatory authorities (if relevant regulatory authorities have specific provisions on the use of the proceeds, it shall meet the requirements of the regulatory authorities). For specific uses, it shall be presented to a general meeting to authorize the Board of Directors and approve the Board of Directors to delegate the authorization to the Company's management to determine based on the capital demands of the Company.

9. Issue Price

The issue price of the domestic and overseas debt financing instruments shall be presented to a general meeting to authorize the Board of Directors and approve the Board of Directors to delegate the authorization to the Company's management to determine based on the market conditions upon the issuance and the provisions of relevant applicable laws and regulations.

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

The target subscribers of the domestic and overseas debt financing instruments shall be investors that meet the requirements of the subscription. The specific target subscribers shall be presented to a general meeting to authorize the Board of Directors and approve the Board of Directors to delegate the authorization to the Company's management to determine based on the provisions of relevant applicable laws and regulations, the market conditions and specific matters on the issuance according to laws.

The domestic and overseas debt financing instruments may be placed to the shareholders of the Company. The specific placement arrangements (including whether to place or not, the placing ratio, etc.) shall be presented to a general meeting to authorize the Board of Directors and approve the Board of Directors to delegate the authorization to the Company's management to determine based on the market conditions and specific matters on the issuance according to laws.

11. Listing of the Debt Financing Instruments

The application for the listing of the domestic and overseas debt financing instruments shall be presented to a general meeting to authorize the Board of Directors and approve the Board of Directors to delegate the authorization to the Company's management to handle in accordance with applicable domestic and overseas laws and regulations and the requirements of regulatory authorities and based on the actual conditions of the Company and the domestic and overseas market conditions.

12. Measures for Guaranteeing Debt Repayment of the Debt Financing Instruments

A proposal shall be presented to the general meeting to authorize the Board of Directors and approve the Board of Directors to delegate the authorization to the Company's management to take at least the following measures in the event that the principal and interest of debt financing instruments are not expected to be repaid on schedule or to be repaid on schedule when due:

(1) Increase the proportion of the general surplus reserve and the general risk reserve during the existence of the bonds to mitigate repayment risks.

(2) No dividend shall be distributed to Shareholders.

(3) The implementation of projects that would incur capital expenditure such as material external investments, acquisitions and mergers shall be suspended.

(4) Payment of salary and bonus of the directors and senior management of the Company shall be reduced or ceased.

(5) Key responsible personnel for such event shall not be allowed for re-designation.

13. Authorised Matters Relating to the Issuance of the Onshore and Offshore Debt Financing Instruments of the Company

In order to ensure effective coordination of the issuance of the domestic debt financing instruments and the specific matters during the issuance, in accordance with relevant laws and regulations, opinions and advices from regulators, the framework and principle considered and approved by the general meeting, a proposal is presented at the general meeting for authorizing the Board and such authorization will be further delegated by the Board to the Company's management to deal with all matters related to the issuance of onshore and offshore debt financing instruments within outstanding balances of debt financing instruments, which shall be based on the conditions that leverage ratio, risk control indicator and risk limit of all debt financing instruments comply with requirements set by regulators, that interest of the shareholders will be maximized. Such matters include but are not limited to:

(1) formulating and adjusting detailed plans for issuing onshore and offshore debt financing instruments in accordance with the applicable laws, regulations and relevant requirements of regulatory authorities as well as resolutions passed at the general meeting of the Company, and based on conditions of the Company and related markets, including without limitation, the determination of the suitable issuer, timing of issuance, types of issuance, details of issuance size and method, asset disposal scale, product plan, terms of issuance, issuance targets, maturity of issuance, whether to issue on a one-off, multiple issuances, multitranche issuances or multiple-category issuances basis and, for each issuance, tranche or category, the arrangement in respect of the issuance size and term, the nominal value, the methods in which the interest rate is determined, currency (including CNH), pricing method, issuance arrangements, terms and methods of repayment of the principal and the interests, whether to extend and make adjustments to the interest rates of subordinated bonds and subordinated debts and their methods, credit enhancement arrangements including rating arrangement, details of subscription method, whether to incorporate terms of repurchase or redemption, whether to set the issuer's option for upward change in the interest rate and the investors' option to sell back, details of placement arrangements, use of proceeds, registration, listing or transfer of onshore and offshore debt financing instruments of the Company and place of trading, measures to mitigate repayment risks, measures to ensure debt repayment (if an asset-backed security is issued, measures such as differences being made up and underlying assets being repurchased by the original beneficial holder can be adopted), and all specific matters in connection with the issuance of onshore and offshore debt financing instruments of the Company;

(2) engaging relevant intermediary agencies (if applicable) for signing, executing, amending and completing all agreements and documents relating to the issuance of onshore and offshore debt financing instruments, including without limitation, the prospectus, the sponsor agreement, the underwriting agreement, credit enhancement agreements such as bond indenture, engagement letters with intermediary agencies,

trustee management agreement, rules of procedure for bondholder meeting, settlement management agreement, registration and custody agreement, listing or transfer agreement and other legal documents, etc., and disclosing the relevant information in accordance with the relevant laws, regulations and the listing and transfer rules of the securities markets on which the Company's securities are listed (including without limitation, the preliminary and final offering memoranda of the debt financing instruments, and all announcements and circulars in relation to the issuance of onshore and offshore debt financing instruments, etc.);

(3) all relevant matters relating to the establishment of direct or indirect wholly-owned or controlled overseas subsidiaries shall be dealt in accordance with relevant provisions in connection with the issuance of the overseas debt financing instruments, including but not limited to approval, filing and registration procedures inside and outside the PRC;

(4) selecting and engaging trustee manager(s) and settlement manager(s) for the issuance of onshore and offshore debt financing instruments, signing the trustee management agreement(s) and settlement management agreement(s) and (if applicable) formulating rules for meetings of the holders of the debt financing instruments;

(5) determining and undertaking relevant matters in relation to the application, approval, filing, registration, listing or transfer, redemption, custody and settlement of issuance of onshore and offshore debt financing instruments to relevant regulatory authorities and self-regulatory organizations of securities industry, including without limitation, preparing, revising and submitting relevant application and filing materials relating to the issuance, listing or transfer of onshore and offshore debt financing instruments and application and filing materials in respect of credit enhancement agreements such as (counter-) guarantee, letter of support or keep well deed to be provided by the Company, the wholly-owned subsidiary of the Company and/or third parties, in accordance with the requirements of relevant regulatory authorities and self-regulatory organizations of securities industry, and signing the relevant application and filing documents and other legal documents; and handling matters in relation to the reporting, issuance, establishment, filing as well as listing and transfer for each tranche of special assets-backed plans;

(6) making relevant adjustments to matters relating to the issuance of onshore and offshore debt financing instruments in accordance with the advice of the relevant regulatory authorities, changes in their policies or the changes in market conditions, or determining whether to continue with all or part of the work in respect of the issuance of onshore and offshore debt financing instruments in accordance with the actual conditions, unless re-approval by the shareholders at the general meeting is otherwise required pursuant to relevant laws, regulations and the Articles of Association;

(7) dealing with other specific matters in connection with the issuance and listing of onshore and offshore debt financing instruments.

14. Validity Period of the Resolution

The resolution passed at the general meeting on the issuance of the domestic and overseas debt financing instruments shall be valid for 36 months from the date of considering and approving such resolution at the general meeting. After the resolution becomes effective, the validity of the three authorizations in respect of the debt financing instruments previously approved by the Company shall terminate automatically, including: ① the authorization on the overseas debt financing instruments with HKD20 billion under the Proposal of the General Mandate to Issue Overseas Debt Financing Instruments considered and approved at the fourth meeting of the fifth session of the Board of Directors and the 2017 annual general meeting; ② the authorization on the total amount of asset-backed securities being no more than 50% of the Company's net assets at the end of the latest period under the Proposal of Issuance of Asset-backed Securities; and ③ the authorization on domestic debt financing instruments with RMB100 billion under the Proposal of the General Mandate to Issue Domestic Debt Financing Instruments considered and approved at the eighth meeting of the fifth session of the Board of Directors and the second extraordinary general meeting in 2018. The amounts in issue but not repaid and those within the scope of the types of the domestic and overseas debt financing instruments under the authorization in respect of the debt financing instruments issued under such authorization will be included in the issuance amounts under the authorization for this issuance.

If the Board of Directors and/or the management of the Company has, within the validity period of the authorization, decided on the issuance or partial issuance of the domestic and overseas debt financing instruments and have obtained the approval, permission, filing or registration (if applicable) of the issuance from the regulatory authorities, then the Company may complete the issuance or relevant partial issuance of the domestic and overseas debt financing instruments within the validity period of the confirmation of such approval, permission, filing or registration. The validity period of the above mandate regarding matters of the issuance and partial issuance may be extended to the date when such issuance and partial issuance is completed.

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

Independent Directors' Annual Work Report for 2020
of
Everbright Securities Company Limited

Dear Shareholders,

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

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

In accordance with relevant laws and regulations of the CSRC, we hereby report our work in 2020 as follows:

I. BASIC INFORMATION

The fifth session of the Board of Directors of the Company included Mr. Xu Jingchang, Mr. Xiong Yan, Mr. Li Zheping, Mr. Au Sing Kun and Mr. Wang Yong. During the Reporting Period, the term of the fifth session of the Board of Directors of the Company expired and the Company completed the re-election and change of session of the Board. Mr. Xu Jingchang, Mr. Xiong Yan, Mr. Li Zheping and Mr. Au Sing Kun, former independent Directors of the Company, no longer held positions as independent Directors of the Company. As elected at the third extraordinary general meeting of the Company in 2020, Mr. Wang Yong, Mr. Po Wai Kwong, Mr. Ren Yongping, Mr. Yin Junming and Mr. Liu Yunhong were elected as independent Directors of the sixth session of the Board of Directors.

Basic information on the Independent Directors of the sixth session of the Board of Directors of the Company is presented as follows:

Name	Work history and part-time work	Professional background	Is Independence affected
Wang Yong (王勇)	Mr. Wang is currently an independent director of the Company, director of the Executive Committee of the China Enterprise Development and M&A Research Center, the assistant to the dean of the School of Economics and Management, Tsinghua University and the office director of the Business Scholars Program, director of the Cooperative Development Office and an independent director of Rici Healthcare Holdings Limited (瑞慈醫療服務控股有限公司, a company listed on the Hong Kong Stock Exchange, stock code: 1526). He served as the project director of the Institute of Mechanical and Electrical, the deputy manager of the Mechanical and Electrical Equipment Plant, the manager of Water and Power Equipment Model Plant of China Institute of Water Resources and Hydropower Research (中國水利水電科學院), the deputy general manager of SRIT NETech Co., Ltd. (國研網絡數據科技有限公司), an independent director of Shenzhen Clou Electronics Co., Ltd. (深圳市科陸電子科技股份有限公司, a company listed on the SZSE, code: 002121) and Shenzhen Ocean's King Lighting Science & Technology Co., Ltd. (深圳市海洋王照明科技股份有限公司, a company listed on the SZSE, stock code: 002724).	Doctor of Business Administration of the School of Economics and Management, Tsinghua University	No

Name	Work history and part-time work	Professional background	Is Independence affected
Po Wai Kwong (浦偉光)	Mr. Po is currently an independent director of the Company, a member of the International Advisory Council of the CSRC and the Advisory Committee of the Hang Seng Index in Hong Kong. He previously served as the executive director of the Hong Kong Insurance Authority, senior director of the Securities and Futures Commission (SFC) and director of the agency supervision division of the SFC, chairman of the No. 3 committee of supervision of market agencies of the International Organization of Securities Commissions.	Master of Business Administration of the Chinese University of Hong Kong	No

Name	Work history and part-time work	Professional background	Is Independence affected
Ren Yongping (任永平)	Mr. Ren is currently an independent director of the Company, an accounting professor of management school of Shanghai University, doctoral supervisor, academic director of MBA Center of Shanghai University and an independent director of Jiangsu Hengshun Vinegar Industry Co., Ltd. (江蘇恒順醋業股份有限公司, a company listed on SSE, stock code: 600305), Wuxi Longsheng Technology Co., Ltd. (無錫隆盛科技股份有限公司, a company listed on SZSE, stock code: 300680), Jiangsu Rijiu Optoelectronics Jointstock Co., Ltd. (a company listed on the SZSE, stock code: 003015) and Jiangsu Guanlian New Material Technology Co., Ltd. He previously served as vice dean of management school and secretary of Party Committee of Shanghai University, lecturer, associate professor and professor of Jiangsu University, a director of Xingyuan Environment Technology Co., Ltd. (興源環境科技股份有限公司, a company listed on SZSE, stock code: 300266), and an independent director of Tengda Construction Group Co., Ltd. (騰達建設集團股份有限公司, a company listed on SSE, stock code: 600512), Kama Co., Ltd. (恒天凱馬股份有限公司, a company listed on SSE, stock code: 900953), Kehua Holdings Co., Ltd. (科華控股股份有限公司, a company listed on SSE, stock code: 603161) and other companies.	Doctor in Accounting of Xiamen University	No

Name	Work history and part-time work	Professional background	Is Independence affected
Yin Junming (殷俊明)	Mr. Yin is currently an independent director of the Company, the dean and professor of the accounting school of Nanjing Audit University and an independent director of Jiangsu Canlon Building Materials Co., Ltd. (江蘇凱倫建材股份有限公司, a company listed on SZSE, stock code: 300715), Shuangdeng Group Co., Ltd., Anhui Shenjian New Materials Co., Ltd. (安徽神劍新材料股份有限公司, a company listed on SZSE, stock code: 002361), and Suning Universal Co., Ltd. (蘇寧環球股份有限公司, a company listed on SZSE, stock code: 000718). He was an associate professor at the Sias International College of Zhengzhou University and an accountant in the aircraft section of Nanchang Railway Bureau.	Doctor in Management (Accounting) of Xi'an Jiaotong University	No

Name	Work history and part-time work	Professional background	Is Independence affected
Liu Yunhong (劉運宏)	Mr. Liu is currently an independent director of the Company, the head of Foresea Life Insurance Co., Ltd. (Shanghai) Research Institute, the deputy head of the Institute of International M&A and Investment of Renmin University of China, an independent director of Bank of Guiyang Co., Ltd. (貴陽銀行股份有限公司, a company listed on SSE, stock code: 601997), Shanghai Electric Group Company Limited (上海電氣集團股份有限公司, a company listed on SSE and the Hong Kong Stock Exchange, SSE stock code: 601727, Hong Kong Stock Exchange stock code: 2727) and Sinolink Securities Co., Ltd. (國金證券股份有限公司, a company listed on SSE, stock code: 600109), an adjunct professor and tutor of postgraduates of Renmin University of China, Shanghai University of Finance and Economics and East China University of Political Science and Law. Mr. Liu has served as the head of Legal and Compliance Division of Guotai Asset Management Co., Ltd., the general manager of Investment Banking Department of Aerospace Securities Co., Ltd., the general manager of the Investment Banking Department and the assistant to president of Hwabao Securities Co. Ltd. and an independent director of Shanghai Aerospace Automobile Electromechanical Co., Ltd. (上海航天汽車機電股份有限公司, a company listed on SSE, stock code: 600151).	Doctor in Civil and Commercial Laws of Renmin University of China	No

II. ANNUAL WORK PERFORMANCE

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

1. In 2020, the Company held a total of eleven board meetings and four general meetings. The attendance of board meetings by Independent Directors is as follows:

   (1) Attendance of board meetings by current Independent Directors:

Name	Number of meetings *(times)*	Attendance in person *(times)*	Attendance by proxy *(times)*	Absence *(times)*
Wang Yong	11	11	0	0
Po Wai Kwong	1	1	0	0
Ren Yongping	1	1	0	0
Yin Junming	1	1	0	0
Liu Yunhong	1	1	0	0

   (2) Attendance of board meetings by resigned Independent Directors:

Name	Number of meetings *(times)*	Attendance in person *(times)*	Attendance in proxy *(times)*	Absence *(times)*
Xu Jingchang	10	10	0	0
Xiong Yan	10	10	0	0
Li Zheping	10	10	0	0
Au Sing Kun	10	10	0	0

2. In 2020, the special committees under the Board of Directors of the Company held a total of 14 meetings, including five meetings of the Remuneration, Nomination and Credentials Committee, six meetings of the Audit Committee, and three meetings of the Risk Management Committee.

   Before the election and change of the session of the Board, the Independent Directors of the fifth session of the Board served on the following special committees:

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

The Independent Directors of the sixth session of the Board of the Company served on the following special committees:

Special committees under the Board of Directors	**Independent Directors**
Remuneration, Nomination and Credentials Committee	Ren Yongping (chairman), Yin Junming, Liu Yunhong
Audit Committee	Yin Junming (chairman), Po Wai Kwong, Ren Yongping
Risk Management Committee	Wang Yong (chairman), Po Wai Kwong, Liu Yunhong
Strategies and Development Committee	Wang Yong

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

(II) Relevant resolutions and voting results

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

(III) Record of training

During the Reporting Period, we accepted the trainings on work performance for directors and supervisors under the new Securities Law provided by King & Wood Mallesons and the trainings for directors and supervisors of companies listed in Hong Kong provided by Clifford Chance. Mr. Wang Yong, Mr. Po Wai Kwong, Mr. Ren Yongping and Mr. Yin Junming participated in the second batch of the first session of online training for directors and supervisors of listed companies in 2020 organized by the Listed Companies of Association of Shanghai and Mr. Liu Yunhong participated in the first follow-up training for independent directors of listed companies in 2020 by the SSE.

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

During the Reporting Period, in addition to attending the meetings of the Board of Directors and its special committees and discussing the major decisions, we also fully understood the operation and management of the Company in the following ways: firstly, we participated in the theory-discussing meetings on reform and strategic symposiums with directors, supervisors and senior management of the Company to learn about the reform of the six business segments and the implementation of strategies of the Company and propose guidance on SOEs reform and the formulation and implementation of strategies to promote the deepening of reform and the implementation of strategies of the Company; secondly, we acquired relevant information on the Company's operation and management, business dynamics, industry development status, regulatory trends, information disclosure, investor relationship management, etc. through the "Morning News" distributed daily and the "Directors and Supervisors Newsletter" distributed by the Company on a monthly basis; thirdly, we kept daily contact with the Company's management and the Office of Board of Directors by telephone and e-mail, etc. to timely communicate with the Company with regard to our concerns; fourthly, according to the requirements of the Company's Directors, the Company's management takes the initiative to give special reports on the Directors' issues of concern at the meetings of the Board of Directors.

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

III. MAJOR CONCERNS

(I) Related party (connected) transactions

The Independent Directors expressed their opinions on related party (connected) transactions in the ordinary course of business of the Company in 2020, and concluded that the Board of Directors of the Company had complied with the law in relation to the procedure and were in accordance with the provisions of the Company Law, Securities Law and other relevant laws and regulations as well as the Articles of Association, without prejudice to the interests of the Company and other Shareholders, especially minority Shareholders and non-related Shareholders upon the review of the relevant issues.

(II) External guarantees and capital occupation

Before the convening of the 22th meeting of the fifth session of the Board of Directors, the Independent Directors conducted investigations and studies on the external guarantees of the Company as at December 31, 2019 and expressed independent opinions. During the Reporting Period, the Company has provided the following guarantees: net capital guarantee

for the wholly-owned subsidiary Everbright Asset Management, and counter-guarantee to the guarantor for the loan of the overseas commercial bank of the wholly-owned subsidiary EBSHK. As of December 31, 2019, the balance of such guarantees was approximately RMB5.285 billion. The guarantees of the Company's holding subsidiaries mainly include: the wholly-owned subsidiary EBSHK and its subsidiaries provided loan guarantees and financing guarantees for its subsidiaries, to facilitate their business operation. As of December 31, 2019, the balance of such guarantees was approximately RMB6.994 billion.

The above guarantees are in compliance with the requirements of relevant laws and regulations, and without prejudice to the legal rights of the Company and other Shareholders. During the Reporting Period, the Company did not provide any guarantees to the controlling Shareholders, de facto controller and their related parties, and had fully protected the legitimate rights and interests of the Company and all Shareholders.

(III) The use of funds raised

During the Reporting Period, the Company issued four tranches of public offering corporate bonds, raising RMB14.7 billion; two tranches of corporate bonds issued by securities companies, raising RMB8.0 billion; one tranch of non-public offering corporate bonds, raising RMB3.0 billion; one tranch of perpetual subordinated bonds, raising RMB2.0 billion; one tranch of margin financing and securities lending ABS, raising RMB1.9 billion; and fourteen tranches of commercial papers, raising RMB33.0 billion. The utilization of the aforesaid funds raised was consistent with the purposes specified in the prospectus, the plans for the utilization and other stipulations.

(IV) Nomination and remuneration of senior management

According to the authorization of the Board of directors, the criteria of bonus based on annual performance of the senior management of the Company shall be considered and approved by the Remuneration, Nomination and Credentials Committee of the Board. During the Reporting Period, the criteria of bonus based on annual performance of the senior management of the Company were considered and approved by the Remuneration, Nomination and Credentials Committee of the Board.

The 19th meeting of the fifth session of the Board of Directors considered and approved the Proposal on the Nomination of Mr. Liu Qiuming as Executive Director Candidates of the Company and the Proposal on the Appointment of Mr. Liu Qiuming as President of the Company. Independent Directors believed that the nomination and appointment procedures of Mr. Liu Qiuming met the relevant requirements of the laws and regulations and the Articles of Association. Based on the review of the personal biography, work experience and other information of Mr. Liu Qiuming, his qualification met the conditions for serving as an executive director and the president of listed companies and he had the professional quality required to be an executive director and the president of the Company and can meet the corresponding requirements for the responsibilities of the positions.

The Proposal on the Appointment of Senior Management of the Company was considered and approved at the 23rd meeting of the fifth session of the Board of Directors of the Company. The Independent Directors consider that the candidate of senior management satisfied the conditions for being a senior management of a listed company and securities company and was able to perform the duties required by the relevant positions in the Company. The nomination and appointment procedures of the proposed appointed person met the relevant requirements of the laws and regulations and the Articles of Association.

(V) Performance express and annual report

On January 23, 2020, according to the relevant rules of the Listing Rules of the Shanghai Stock Exchange, the Company disclosed its announcement on estimated increase in annual results for 2019. On March 28, 2020, the Company disclosed its annual report for 2019. The Company's main financial data and indicators for 2019 contained in the Company's announcement on estimation of results are not significantly different from the Company's audited financial data in the final accounts after verification.

(VI) Appointment or replacement of accounting firm

Before the convening of the 26th meeting of the fifth session of the Board of Directors of the Company, independent Directors verified and reviewed the relevant information on the appointment of Ernst & Young Hua Ming LLP (Special General Partnership) and Ernst & Young as the Company's external auditors in 2020 and expressed independent opinions based on the principle of objectivity and impartiality. Independent Directors believed that Ernst & Young Hua Ming LLP (Special General Partnership) and Ernst & Young have the relevant qualifications to engage in securities and futures businesses with auditing experience and capabilities in serving listed companies for years and can satisfy relevant domestic and overseas auditing services of the Company in 2020. They can independently audit the financial conditions of the Company.

(VII) Cash dividends and other investor returns

The 22th meeting of the fifth session of the Board of Directors of the Company and the 2019 annual general meeting reviewed and approved the profit distribution plan for 2019 and distributed RMB0.37 (tax inclusive) for every 10 Shares to all Shareholders of A Shares and H Shares with cash dividends at a total of RMB170,599,142.64.

The Independent Directors believe that the Company's profit distribution plan for 2019 was in line with the Company's actual situation and complied with the requirements on cash dividend as set out in Guidance on Distribution of Cash Dividends by Listed Companies and the Articles of Association, without prejudice to the interests of the Company and other Shareholders, especially minority Shareholders and non-related Shareholders. The procedures and results of the voting by the Company's Board of Directors on the Profit Distribution Plan for 2019 were in compliance with the Company Law, other relevant laws, regulations, normative documents and the Articles of Association.

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

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

The Independent Directors reviewed the written confirmation letter issued by Everbright Group and its compliance with and implementation of the non-competition undertaking, and we believe that there was no substantial competition and no possibility of substantial competition between Everbright Group, wholly-owned subsidiaries normally operated by Everbright Group and business operated by companies substantially controlled by Everbright Group, and the business operated by Everbright Securities and its subsidiaries, with securities company as the operating entity under the supervision of relevant securities regulators, during the financial year from January 1, 2019 to December 31, 2019. Therefore, Everbright Group has complied with the non-competition undertaking during the financial year from January 1, 2019 to December 31, 2019.

(IX) Implementation of information disclosure

During the Reporting Period, the Company fulfilled the obligation of information disclosure in according to the principles of "openness, fairness and impartiality". The Company disclosed 119 provisional announcements, and 4 periodic reports throughout the year.

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

(X) Implementation of internal control

Independent Directors have carefully reviewed the Evaluation Report of Internal Control of the Company in 2019 and believed that the Company has fully implemented internal control systems in 2019, further amended and improved all internal management systems during the Reporting Report, consistently improving the internal control system. The Company has established internal control on businesses and matters under the scope of appraisal, which covered all links in the operation of the Company and met the requirements of relevant laws, regulation and department rules. All operating activities of the Company were carried out in strict compliance with relevant systems. All internal control of the Company were strict, sufficient and effective and based on the actual conditions of the Company, which can guarantee the normal operation and management of the Company.

(XI) Changes to Accounting Policies

Before the convening of the 26th meeting of the fifth session of the Board of Directors, the independent Directors carried out research and studies on the changes to the Company's accounting policies. Changing the accounting policies was a reasonable move conducted for the purpose of providing more reliable and relevant accounting information. The changes enabled the accounting policies of the Company to meet the relevant requirements of the regulatory authorities such as the Ministry of Finance, China Securities Regulatory Commission and Shanghai Stock Exchange, to reflect the financial conditions and the operating results of the Company in an objective and fair manner, as well as to align with the interests of the Company and the Shareholders. The review procedure of changing the accounting policies satisfied the requirements of relevant laws and regulations and the requirements under the Articles of Association.

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

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

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

Nil.

IV. OVERALL APPRAISAL AND RECOMMENDATIONS

In 2020, with an honest, diligent and conscientious attitude, we carefully reviewed the meeting documents of the Board of Directors, issued independent opinions, paid attention to the Company's information disclosure and financial market environment, maintained close communication with the Company, and actively participated in the Company's research work, achieving our goal of being honest, diligent and conscientious.

In 2021, we will continue to perform our duties independently, strengthen our communication and collaboration with the Company, jointly protect the scientific and efficient performance of the functions of the Board of Directors, strive to contribute more to corporate governance, business development, internal control and risk management, and earnestly safeguard the Company's overall interests and the legitimate rights and interests of minority Shareholders.

Independent Directors of
Everbright Securities Company Limited