
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 enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected 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)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF 2024 SECOND EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



Gram Capital Limited
嘉林資本有限公司

The 2024 second extraordinary general meeting (the “EGM”) of Everbright Securities Company Limited (the “Company”) will be held at 2:30 p.m. on Tuesday, December 24, 2024 at Jing'an International Plaza, No. 1508 Xinzha Road, Jing'an District, Shanghai, the PRC. A notice convening the EGM is set out on pages 74 to 76 of this circular.

Whether or not you are able to attend the EGM, you are advised to read the notice of the EGM and to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as early as possible. For H Shareholders, the form of proxy or any other authorization documents should be returned to the Company's H share registrar, Computershare Hong Kong Investor Services Limited, in person or by post but in any event not less than 24 hours before the time appointed for holding the EGM (i.e. before 2:30 p.m. on Monday, December 23, 2024) or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof if you so wish.

December 2, 2024

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DEFINITIONS

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

“2021 Everbright Group Continuing Connected Transactions Framework Agreements”	collective term of (1) the 2021 Everbright Group Financial Products and Services Framework Agreement; (2) the 2021 Everbright Group Property Leasing Framework Agreement; and (3) the 2021 Everbright Group Non-financial Miscellaneous Services Framework Agreement entered into between the Company and Everbright Group
“2021 Everbright Group Financial Products and Services Framework Agreement”	the 2021 financial products and services framework agreement entered into between the Company and Everbright Group, with a term of three years from January 1, 2022 to December 31, 2024
“2021 Everbright Group Non-financial Miscellaneous Services Framework Agreement”	the 2021 non-financial miscellaneous services framework agreement entered into between the Company and Everbright Group, with a term of three years from January 1, 2022 to December 31, 2024
“2021 Everbright Group Property Leasing Framework Agreement”	the 2021 property leasing framework agreement entered into between the Company and Everbright Group, with a term of three years from January 1, 2022 to December 31, 2024
“2024 Everbright Group Continuing Connected Transactions Framework Agreements”	collective term of (1) the 2024 Everbright Group Financial Products and Services Framework Agreement; (2) the 2024 Everbright Group Property Leasing Framework Agreement; and (3) the 2024 Everbright Group Non-financial Miscellaneous Services Framework Agreement proposed to be entered into between the Company and Everbright Group
“2024 Everbright Group Financial Products and Services Framework Agreement”	the 2024 securities and financial products transactions and services framework agreement proposed to be entered into between the Company and Everbright Group, with a term of three years from January 1, 2025 to December 31, 2027
“2024 Everbright Group Non-financial Miscellaneous Services Framework Agreement”	the 2024 non-financial miscellaneous services framework agreement proposed to be entered into between the Company and Everbright Group, with a term of three years from January 1, 2025 to December 31, 2027

DEFINITIONS

“2024 Everbright Group Property Leasing Framework Agreement”	the 2024 property leasing framework agreement proposed to be entered into between the Company and Everbright Group, with a term of three years from January 1, 2025 to December 31, 2027
“A Shareholders”	holders of A Shares
“A Shares”	ordinary shares of the Company with a nominal value of RMB1.00 each, which are listed on the SSE and traded in RMB (stock code: 601788)
“Articles of Association”	the articles of association of the Company
“associate(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“Board” or “Board of Directors”	the board of directors of the Company
“BSE”	the Beijing Stock Exchange
“China” or “PRC”	the People’s Republic of China excluding, for the purpose of this circular, Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan district
“Company”	Everbright Securities Company Limited (光大證券股份有限公司), a joint stock company incorporated in the PRC with limited liability and whose H Shares and A Shares are listed on the main board of the Hong Kong Stock Exchange (stock code: 6178) and the SSE (stock code: 601788), respectively
“Company Law”	Company Law of the People’s Republic of China
“CSRC”	China Securities Regulatory Commission
“Deposit Services”	the deposit services to be provided by Everbright Bank
“Director(s)”	director(s) of the Company
“EGM”	the 2024 second extraordinary general meeting of the Company to be held at 2:30 p.m. on Tuesday, December 24, 2024
“ETF”	exchange-traded fund

DEFINITIONS

“Everbright Asset Management”	Shanghai Everbright Securities Asset Management Co., Ltd. (上海光大證券資產管理有限公司), a wholly-owned subsidiary of the Company
“Everbright Bank”	China Everbright Bank Co., Ltd. (中國光大銀行股份有限公司), a company incorporated under the laws of the PRC on June 18, 1992 and converted into a joint stock company with limited liability in 1997. Its A shares are listed on the SSE (stock code: 601818) and its H shares are listed on the Hong Kong Stock Exchange (stock code: 6818). Everbright Bank is a subsidiary of Everbright Group
“Everbright Futures”	Everbright Futures Co., Ltd. (光大期貨有限公司), a wholly-owned subsidiary of the Company
“Everbright Group”	China Everbright Group Ltd. (中國光大集團股份公司) (previously known as China Everbright (Group) Corporation (中國光大(集團)總公司)), a state-owned company incorporated under the laws of the PRC on November 12, 1990 and the controlling shareholder of the Company. Everbright Group was converted into a joint stock company and renamed as China Everbright Group Ltd. (中國光大集團股份公司) on December 8, 2014
“Everbright Limited”	China Everbright Limited (中國光大控股有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 165) and an indirect subsidiary of Everbright Group and the second largest Shareholder of the Company
“Everbright Trust”	Everbright Xinglong Trust Co., Ltd. (光大興隴信託有限責任公司), a subsidiary of Everbright Group
“Group”	the Company and its subsidiaries
“H Shareholders”	holders of H Shares
“H Shares”	ordinary shares of the Company with a nominal value of RMB1.00 each, which are issued outside the PRC, listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars (stock code: 6178)

DEFINITIONS

“HK dollars” or “HKD”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended from time to time
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	an independent board committee comprising all Independent Non-executive Directors (namely Mr. Ren Yongping, Mr. Yin Junming, Mr. Lau Ying Pan, Ms. Chen Xuanjuan and Mr. Lv Suiqi) has been formed to give advice to the Independent Shareholders with respect to the Securities and Financial Products Transactions (including the proposed annual caps) and the Deposit Services under the 2024 Everbright Group Financial Products and Services Framework Agreement
“Independent Directors” or “Independent Non-executive Directors”	the independent non-executive Directors of the Company
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Hong Kong Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Securities and Financial Products Transactions (including the proposed annual caps) and the Deposit Services under the 2024 Everbright Group Financial Products and Services Framework Agreement
“Independent Shareholders”	those Shareholders who, at the forthcoming extraordinary general meeting, are not required to abstain from voting on the resolution to be proposed with respect to the Securities and Financial Products Transactions (including the proposed annual caps) and the Deposit Services under the 2024 Everbright Group Financial Products and Services Framework Agreement (other than Everbright Group and Everbright Limited)

DEFINITIONS

“Latest Practicable Date”	November 29, 2024, being the latest practicable date for the purpose of ascertaining certain information referred to in this circular before its publication
“Members of Everbright Group”	Everbright Group and its associates
“PBOC”	The People’s Bank of China in the People’s Republic of China
“Related Party/Connected Transactions Working Group”	a working group established by the Company in 2016, which is responsible for the daily management of the Group’s related party/connected transactions
“RMB”	Renminbi, the lawful currency of the PRC
“Securities and Financial Products Transactions”	the securities and financial products transactions between the Group and Members of Everbright Group, conducted in accordance with either the 2021 Everbright Group Financial Products and Services Framework Agreement or the 2024 Everbright Group Financial Products and Services Framework Agreement, as applicable
“Securities and Financial Services”	the mutual provision of securities and financial services between the Group and Members of Everbright Group, in accordance with either the 2021 Everbright Group Financial Products and Services Framework Agreement or the 2024 Everbright Group Financial Products and Services Framework Agreement, as applicable
“Securities Law”	Securities Law of the People’s Republic of China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	shareholders of the Company, including A Shareholders and H Shareholders
“Shares”	shares of the Company, including A Shares and H Shares
“SSE”	the Shanghai Stock Exchange
“Sun Life Everbright”	Sun Life Everbright Life Insurance Co., Ltd. (光大永明人壽保險有限公司), a subsidiary of Everbright Group

DEFINITIONS

“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	supervisory committee of the Company
“SZSE”	the Shenzhen Stock Exchange
“Wind Info” or “Wind”	Wind Information Co., Ltd. (萬得信息技術股份有限公司), a company with limited liability incorporated in the PRC in 1994 and an integrated service provider of financial data, information and software, being an independent third party

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

LETTER FROM THE BOARD



光大证券
EVERBRIGHT SECURITIES

光大證券股份有限公司

Everbright Securities Company Limited

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

(Stock Code: 6178)

Mr. Zhao Ling (<i>Chairman, Executive Director</i>)	<i>Registered office and</i>
Mr. Liu Qiuming (<i>Executive Director, President</i>)	<i>principal place of</i>
Ms. Ma Rentao (<i>Non-executive Director</i>)	<i>business in the PRC:</i>
Mr. Lian Yalin (<i>Non-executive Director</i>)	No. 1508 Xinzha Road
Ms. Wang Yun (<i>Non-executive Director</i>)	Jing'an District
Mr. Yin Yanwu (<i>Non-executive Director</i>)	Shanghai
Mr. Xie Song (<i>Non-executive Director</i>)	PRC
Mr. Qin Xiaozheng (<i>Non-executive Director</i>)	
Mr. Ren Yongping (<i>Independent Non-executive Director</i>)	<i>Place of business in Hong Kong:</i>
Mr. Yin Junming (<i>Independent Non-executive Director</i>)	12/F, Everbright Centre
Mr. Lau Ying Pan (<i>Independent Non-executive Director</i>)	108 Gloucester Road
Ms. Chen Xuanjuan (<i>Independent Non-executive Director</i>)	Wan Chai
Mr. Lv Suiqi (<i>Independent Non-executive Director</i>)	Hong Kong

December 2, 2024

To the Shareholders

Dear Sir or Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF 2024 SECOND EXTRAORDINARY
GENERAL MEETING**

I. INTRODUCTION

On behalf of the Board, I would like to invite you to attend the EGM to be held at 2:30 p.m. on Tuesday, December 24, 2024 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 EGM and to provide you with information reasonably necessary to enable you to make an informed decision on whether to vote for or against the resolution to be proposed at the EGM.

At the EGM, an ordinary resolution will be proposed to approve the "Resolution Regarding Entering into of the Framework Agreement on Ordinary Related Party (Connected) Transactions with China Everbright Group Ltd."

LETTER FROM THE BOARD

II. 2024 EVERBRIGHT GROUP FINANCIAL PRODUCTS AND SERVICES FRAMEWORK AGREEMENT

A. Securities and Financial Products Transactions

A.1 Scope of the Securities and Financial Products Transactions

The Securities and Financial Products Transactions include:

- (1) securities products with fixed income features, including but not limited to, bonds, funds, trusts, wealth management products, asset management schemes, asset securitization products, convertible bonds, bond lending and borrowing, structured products, swaps, futures, forwards, options and other financial products with fixed income features;
- (2) fixed income related derivative products, including but not limited to, interest rates and trading of credit derivative products;
- (3) equity-related products, including but not limited to, trading and/or subscription of equities (including those in connection with market-making activities on the National Equities Exchange and Quotations), funds, trusts, wealth management products, asset management products and equity derivative products (including but not limited to return swaps, over-the-counter (“OTC”) options and convertible bonds);
- (4) financing transactions – financing transactions among financial institutions with or without guarantees/pledges, including but not limited to, inter-bank lending, repurchase, inter-bank deposits, usufruct, asset securitization, corporate account overdrafts, pledged loans, and mutual holding of debt certificates (including but not limited to, short-term financing bonds, income receipts, subordinated debts and corporate bonds); and
- (5) other related securities and financial products permitted by applicable laws and regulations, including but not limited to, foreign exchange, commodities, precious metals and derivatives.

There were no material changes in the scope of the Securities and Financial Products Transactions mentioned above as compared to that of previous years.

LETTER FROM THE BOARD

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

The Securities and Financial Products Transactions are conducted through the PRC inter-bank bond market and the PRC exchange bond market, exchanges (including stock exchanges, futures exchanges, the Shanghai Gold Exchange and the China Foreign Exchange Trade System) and the fund market. Such transactions are and will continue to be conducted in the Group's ordinary and usual course of business with high frequency. Their pricing shall be determined by reference to prevailing market rates or prices, or through arm's length negotiations based on market rates or prices generally applicable to independent counterparties for similar types of products or transactions.

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

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

The Company has access to the turnover information of the relevant securities and financial products through the NIFC and CCDC systems. At the same time, the Company also reviews various bond market information published by NIFC, CCDC and other agencies. For example, NIFC composes repurchase interest rates, which are one of the key benchmarks for repurchase transactions in the PRC financial market. In addition, the Company has subscribed to information service providers, such as Wind Info, for information services, and has access to information channels and websites of official and voluntary industry regulatory authorities, such as the Asset Management Association of China, Chinamoney.com.cn, Chinabond.com.cn, etc., which publish periodic official and voluntary statistics and information on the industry from time to time.

The PRC inter-bank bond market is an open, highly regulated quote-driven market regulated by the PBOC pursuant to the Measures for the Administration of Bond Transactions in the National Inter-bank Bond Market

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(《全國銀行間債券市場債券交易管理辦法》)。Transactions in the PRC inter-bank bond market must be reported to NIFC and are supervised by NIFC, CCDC and the National Association of Financial Market Institutional Investors (“NAFMII”). According to the relevant PRC laws and regulations, the prevailing market prices in the PRC inter-bank bond market are determined with reference to the bid and offer prices quoted on NIFC. All transactions, whether conducted through an authorized intermediate money brokerage firm or a market maker or through OTC negotiations, shall be reported to NIFC and reflected in the price quotations provided by NIFC and CCDC. According to the Self-regulatory Rules for Bond Transactions in Inter-bank Bond Market (《銀行間債券市場債券交易自律規則》), the self-regulatory rules of NAFMII, abnormal pricing may result in disciplinary actions by NAFMII, including public criticism. NAFMII is a self-regulatory organization responsible for supervising inter-bank transactions.

In the PRC exchange bond market, if the spot trading price of a bond deviates from the benchmark price by more than a specified range as may be formulated or adjusted by the competent regulatory authority from time to time and the issuer fails to provide the reasons for and explanation on the reasonableness of such deviation, the PRC stock exchanges may impose relevant regulatory measures and disciplinary sanctions, including written warnings, regulatory interviews, and restrictions on investor accounts.

(2) Securities and financial products traded on the exchanges

The major types of securities and financial products traded on the SSE, SZSE, BSE, Shanghai Gold Exchange, PRC Futures Exchange and China Foreign Exchange Trade System include equities, funds, bonds (mainly including collateralized repurchase, exchangeable bonds, convertible bonds, REITs and asset securitization products), precious metals and their derivatives, commodity futures and foreign exchange and their derivatives. Share options are also traded on the exchanges. Call auction mechanism is mainly adopted in these exchanges and the pricing is primarily determined with reference to the turnover of a particular security and financial product. The Company has access to the trading systems of the relevant exchanges to obtain the real-time quotations of the relevant securities and financial products.

Certain securities and financial products may be traded on different exchanges. The pricing mechanisms of these securities and financial products shall be the pricing mechanisms adopted by the relevant exchanges on which such securities and financial products are traded. For example, repurchases conducted through the stock exchange shall adopt the call auction mechanism commonly used by the stock exchange, whereas inter-bank repurchases shall be determined with reference to the benchmark interest rates, fixing repo rates published by NIFC and market turnover.

LETTER FROM THE BOARD

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

The major types of securities and financial products traded on the fund market include fund products, trust products, wealth management products and asset management products (collectively, the “**Fund Products**”). The pricing of transactions conducted through the fund market is determined based on the unit net value of the relevant Fund Products on the date of transaction. The unit net value of such Fund Products is calculated by dividing the net asset value of the Fund Products by the total number of the fund units. The net asset value of the Fund Products is determined based on the China Accounting Standards for Business Enterprises and in accordance with the relevant requirements of the CSRC and the Asset Management Association of China, and taking into account the fund portfolio consisting of securities, bank deposits, receivables and other investments. The calculation method for the unit net value of the Fund Products is set forth in the relevant fund contract and prospectus, and equally applies to all investors of the Fund Products.

(4) OTC transactions

In the ordinary and usual course of business of the Group, the Group may also conduct OTC transactions of securities and financial products with Members of Everbright Group, such as certain fixed income products (e.g. funds, trusts and wealth management products), derivatives related to fixed income products, equity related products, other related securities and financial products, and certain repurchase and reverse repurchase transactions. The pricing of the OTC transactions of derivatives is primarily determined by reference to derivative pricing models such as the Monte Carlo simulation and the Black-Scholes model. With respect to the Group’s subscription of the financial products launched by Members of Everbright Group and the subscription by Members of Everbright Group of the financial products launched by the Group, the subscription price is determined by the financial institution that launched the financial product after considering the general information of the assets/business invested in. Members of Everbright Group shall comply with the relevant rules governing the issuance (including pricing) of financial products, such as the Measures for the Administration of Securities Issuance and Underwriting (《證券發行與承銷管理辦法》), the Measures of the Administration of Registration of Initial Public Offerings of Stocks (《首次公開發行股票註冊管理辦法》), the Measures for the Administration of Security Issuing by Listed Companies (《上市公司證券發行註冊管理辦法》), the Implementation Rules for the Offering of IPO Stocks under the Subscription Tranche on the Shanghai Market (《上海市場首次公開發行股票網上發行實施細則》), the Implementation Rules for the Offering of IPO Stocks under the Placing Tranche on the Shanghai Market (《上海市場首次公開發行股票網下發行實施細則》), the Implementation Rules for the Offering of IPO Stocks under the Subscription Tranche on the Shenzhen Market (《深

LETTER FROM THE BOARD

圳市場首次公開發行股票網上發行實施細則》), the Implementation Rules for the Offering of IPO Stocks under the Placing Tranche on the Shenzhen Market (《深圳市場首次公開發行股票網下發行實施細則》), the Implementation Rules for the Business of Offering and Underwriting of Securities of Listed Companies on the Shenzhen Stock Exchange (《深圳證券交易所上市公司證券發行與承銷業務實施細則》), the Guidelines for the Internal Control of Bond Investment Transaction Business of Securities and Fund Business Institutions (《證券基金經營機構債券投資交易業務內控指引》), the Measures for the Administration of the Issuance and Trading of Corporate Bonds (《公司債券發行與交易管理辦法》), the Measures for the Administration of OTC Option Business of Securities Companies (《證券公司場外期權業務管理辦法》), the Measures for the Administration of Return Swap Business of Securities Companies (《證券公司收益互換業務管理辦法》) and the Notice on Strengthening the Monitoring of Bond Investment Transactions by Securities and Fund Operators (《關於加強證券基金經營機構債券投資交易監測的通知》). The relevant rules and measures generally require the preparation and disclosure of information and documents, and the explanation of reasons and details for any deviation from the benchmark price beyond a specified range (if any), which would require the conducting of or preparation for, among others, due diligence, valuation and rating in respect of offering.

With respect to the pricing of securities and financial products without direct market quotations, the Company usually makes reference to the up-to-date information on market trend published by third party information platforms such as Wind Info, and seeks quotations from six currency brokers. Currency brokers are entities set up with the approval of the National Financial Regulatory Administration (formerly, the China Banking and Insurance Regulatory Commission) and subject to its regulation. Currency brokers specialize in facilitating transactions including intra-financial system financing, foreign exchange transactions, bond transactions and derivative transactions, and charge a commission from the provision of such brokerage services but do not directly engage in transactions of the relevant securities and financial products. The Company considers that the pricing references as mentioned above (including references to up-to-date market information and quotations from multiple currency brokers) are sufficient and appropriate.

LETTER FROM THE BOARD

A.3 Pricing Approval and Supervision

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

- (1) The Group has established internal guidelines and policies for conducting transactions of different types of securities and financial products. Such policies and guidelines set out the requirements for pre-trading pricing enquiries, applicable interest rates, pricing procedures, approval authority and procedures, record keeping, supervision and review procedures for conducting transactions of different types of securities and financial products. The Company reviews and revises such internal guidelines and policies from time to time in response to regulatory updates, and on an annual basis in light of any change in the Company's decision-making mechanism, departmental functions and business processes.
- (2) To the extent practicable, before determining the pricing of the transactions to be entered into between the business departments or the subsidiaries of the Company on the one hand and Members of Everbright Group on the other, the Group shall refer to the pricing offered to or quoted by two or more independent third parties for contemporaneous transactions in similar quantities to determine if the pricing and terms for the relevant transactions are fair, reasonable and no less favorable than those quoted by independent third parties to the Group or no more favorable than those offered by the Group to independent third parties, as the case may be.
- (3) To further strengthen the management of related party/connected transactions of the Company, and to align with the differences regarding the regulatory requirements on related party/connected transactions between Mainland China and Hong Kong after the listing of H Shares of the Company on the Hong Kong Stock Exchange and strictly manage the related party/connected transaction risks, the Company established the Related Party/Connected Transactions Working Group in 2016. The Related Party/Connected Transactions Working Group is responsible for the daily management of the Group's related party/connected transactions. The business departments and the Company's subsidiaries proposing to engage in various types of transactions shall take the responsibility to prove that the related party/connected transactions are entered into on normal commercial terms or on terms no less (or more) favorable than those offered by or provided to independent third parties, and provide relevant evidence to prove such assertion according to the requirements of the Related Party/Connected Transactions Working Group.

LETTER FROM THE BOARD

- (4) The Related Party/Connected Transactions Working Group collects data from the relevant business departments (mainly including the Capital Management Department, the Fixed Income Foreign Exchange and Commodities Department, Bond Sales and Trading Department and the Financial Innovation Business Headquarters) and the Company's subsidiaries that may conduct the Securities and Financial Products Transactions, reviews the actual transaction amounts of the Securities and Financial Products Transactions on a quarterly basis, and reminds the business departments and the Company's subsidiaries to supervise and control such connected transactions. Further, a sub-limit under the annual caps for each of the relevant business departments and the Company's subsidiaries has been set as an internal monitoring cap. If the actual transaction amount of the relevant business department or subsidiary is close to its sub-limit, an alert message will be sent by the Related Party/Connected Transactions Working Group to the management of the Company, who will organize the relevant parties to assess the subsequent business needs to determine whether the annual caps will need to be revised. The Company considers that the above monitoring measures enable the Company to assess the utilization of the annual caps at an early stage, and are sufficient to ensure the annual caps would not be exceeded.
- (5) The Company has also implemented internal control measures to mitigate the risk of asset concentration in specific Securities and Financial Products. The Company has systems in place to monitor its debt and equity transactions, and to control the amount subscribed to a single product, either automatically or manually, to ensure that it does not exceed 5% of the total assets of the Company as set out in its latest published consolidated financial statements, thereby maintaining the diversification of the investment portfolio. In addition, the Company has set credit limits for certain Members of Everbright Group. These limits are determined based on a thorough assessment of the relevant counterparty's creditworthiness, including its shareholding structure, business operations and financial condition, as well as the Company's overall risk management strategy. By imposing these limits, the Company ensures that its exposure to any single counterparty remains within acceptable risk parameters, further contributing to the diversification and stability of its investment portfolio.
- (6) The continuing connected transactions are subject to the annual review by all the Independent Non-executive Directors, the internal audit department of the Company and the auditors of the Company. The results of the annual review conducted by the Independent Non-executive Directors and the auditors of the Company will be disclosed in the annual report of the Company.
- (7) All documents and records with respect to related party/connected transactions are required to be maintained and kept properly.

LETTER FROM THE BOARD

A.4 Historical Transaction Amounts

The historical amounts of the Securities and Financial Products Transactions under the 2021 Everbright Group Financial Products and Services Framework Agreement between the Group and Members of Everbright Group for each of the two financial years ended December 31, 2023 and for the six months ended June 30, 2024 are as follows:

RMB million

Securities and Financial Products Transactions	For the year ended December 31, 2022		For the year ended December 31, 2023		For the	For the
					year ending	six months
	Historical		Historical		December 31,	ended
	Annual	transaction	Annual	transaction	2024	June 30,
	cap	amount	cap	amount	Annual	2024
					cap	Historical
						transaction
						amount
In ⁽¹⁾	560,000	272,733	670,000	82,708	804,000	25,797
Out ⁽²⁾	560,000	288,673	670,000	109,376	804,000	25,824

Notes:

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

The utilization rates of existing annual caps for the two years ended December 31, 2023 for both cash inflow and cash outflow were not at high levels. Inflow and outflow regarding the sale and purchase of Securities and Financial Products are highly dependent on market sentiment and conditions and the Group generally could not control the counterparties of transactions due to the majority of the securities and financial products transactions are conducted through intermediate system(s). Given the low utilization rates, the annual caps for the three years ending December 31, 2027 for both inflow and outflow have been set at levels that are substantially lower than the existing annual caps for the three years ending December 31, 2024. Details of the bases for the determination of annual caps for the three years ending December 31, 2027 are set out in the below section headed “A.5 Proposed Annual Caps”.

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A.5 Proposed Annual Caps

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

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

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

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estimate the expected aggregate value of these transactions. For example, Everbright Bank invests in the asset management schemes issued by the Company or its subsidiaries with funds from its banking customers. In making such investment decisions, Everbright Bank has the freedom to choose asset management schemes to invest in, just like any other investors in the market. As a listed company, Everbright Bank exercises independent judgment when making such investment decisions and has adopted internal control measures to monitor its investment decision making. The Company or its subsidiaries have no control over the asset management schemes or financial products that Everbright Bank chooses to invest in, nor the amount of those investments; and

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

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

A.5.2 Proposed annual caps for the three financial years ending December 31, 2027

The Company estimates the annual caps of the total inflow and outflow of the Securities and Financial Products Transactions under the 2024 Everbright Group Financial Products and Services Framework Agreement between the Group and Members of Everbright Group for each of the financial years 2025, 2026 and 2027 as follows:

Securities and Financial Products Transactions	Proposed annual caps for the three financial years ending December 31,		
	2025	2026	2027
	(RMB million)		
In ⁽¹⁾	380,000	440,000	510,000
Out ⁽²⁾	370,000	420,000	490,000

Notes:

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

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*A.5.3 Basis of determination of the proposed annual caps**

When estimating the annual caps of the inflow and outflow of the Securities and Financial Products Transactions, the Company has mainly taken into account the following factors:

General factors

- (1) Continuous development of the financial market in the PRC and constant issuance of new securities and financial products

According to the statistics of the PBOC, in 2023, the bond market in China saw the issuance of various bonds with a total amount of RMB71.0 trillion, representing a year-on-year increase of 14.8%; the custody balance of the bond market reached RMB157.9 trillion, representing a year-on-year increase of 9.1%. Transactions in the inter-bank money market totaled RMB1,817.2 trillion, representing a year-on-year increase of 19.0%. Spot transactions in the inter-bank bond market amounted to RMB307.3 trillion, while those in the exchange bond market reached RMB46.4 trillion, representing a year-on-year increase of 13% and 22%, respectively. The inter-bank local currency derivatives market recorded transactions totaling RMB31.9 trillion, representing a year-on-year increase of 49.8%. According to the Asset Management Association of China, as of the end of June 2024, the total assets under management (AUM) of the mutual funds amounted to RMB30.59 trillion (excluding ETF feeder funds and deducting the market value of funds held by FOFs), representing an increase of RMB3.45 trillion or 12.7% as compared with the end of 2023; the scale of the private asset management business was RMB5.8 trillion, representing an increase of 9% from the beginning of the year. As of June 30, 2024, the existing size of wealth management products issued by banks in China was RMB28.52 trillion, representing an increase of 6.43% as compared with the beginning of 2024. With the ongoing advancement of the high-level opening up of China's financial industry, the size of the financial market in China is further expanding and the market has seen continuous innovation in various securities and financial products.

The continuous development of the financial market in the PRC is a significant driver for the Group's business. As the market evolves, new securities and financial products are introduced, creating opportunities for increased Securities and Financial Products Transactions. This dynamic environment allows the Group to expand its offerings and engage in a broader range of financial activities.

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While historical data of the Securities and Financial Products Transactions provides a baseline in determining the annual caps for the next three years, it is crucial to incorporate the anticipated growth and development trends of the PRC financial market as mentioned above, the business expansion of both Everbright Group and the Group as discussed in items (2), (3) and (4) below, as well as the breakdown of expected inflow and outflow from different types of Securities and Financial Products Transactions (including the inter-bank lending and repurchase business, the asset management business, the bond trading business and the financial innovation business) as detailed in the section headed “Specific factors and considerations”.

- (2) Continuous and stable expansion of the business of and continuous advancement of the synergy strategy of Everbright Group

Everbright Group is committed to its long-term strategic goal of building a world-class financial holding Group with Chinese characteristics. Leveraging its strategic advantages in comprehensive finance, industry-finance synergy and cross-border operations, Everbright Group has achieved steady growth in the scale of assets, with overall sound operation and development and improving management capabilities. Everbright Group has multiple listed companies both domestically and overseas. The results of operations of its financial and industrial business segments realized progress while maintaining stability. Its financial business segment focuses on four core areas including commercial banking, investment banking, commercial insurance, and asset management. Its featured industrial business segment focuses on three key industries including environmental protection, cultural tourism, and health and elderly care. Leveraging the strategic synergy of Everbright Group, the financial and industrial enterprises within the Group effectively integrate business resources, continuously optimize the portfolio of licenses, build synergistic scenarios, and tap into synergistic resources, making every effort to create a synergistic business ecosystem and provide a full range of standardized and differentiated comprehensive solutions for both domestic and overseas customers.

- (3) Expansion of the Group’s business mix and launching of innovative products

The Group provides extensive financial products and services to its customers. In recent years, the Group has continuously improved the variety and quantity of its corporate financial products and services. Since 2022, the Company has newly launched the mutual fund investment advisory business and the inter-bank bond market collateralized stock repurchase anonymous clicking business; the OTC derivatives business (including OTC options, return swaps, floating rate income receipts, etc.) and the exchange derivatives market maker business newly obtained the qualifications as market maker for

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SSE STAR Market and SZSE ChiNext ETF Options, market maker and lead market maker for CSI 500 ETF Options, market maker for SZSE 100 ETF Options, lead market maker for E FUND STAR 50 ETF Options and lead market maker for ChinaAMC STAR 50 ETF Options. Additionally, the fund liquidity service provider business has expanded its service offerings, further enriching business types and achieving steady growth in business scale. In view of the above factors, it is expected the total net inflow and net outflow from the Securities and Financial Products Transactions will continue to increase.

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

The liberalization of interest rates in China has led the banking institutions in China to turn to wealth management products to attract deposits from customers. The asset management products and funds of the securities companies can therefore provide better investment channels to the commercial banks in China.

The Group will continue to strengthen cooperation with Everbright Bank pursuant to its investment strategies and specific transaction conditions, aiming to further optimize its asset allocation and risk management. Through such two-way investment cooperation, the Group and Everbright Bank can fully leverage synergies, achieving mutual benefit and win-win results in terms of resource sharing, risk control, and return enhancement.

- (5) Appropriate buffers are needed to avoid unnecessary constraints on the Group's future business operations

Given the inherent natures such as market sensitivity and timeliness of the securities and financial products, the Group's limited control over counterparties in the transactions of certain securities and financial products, and the volatility and unpredictability of the overall financial market, it is necessary to maintain appropriate buffers for fluctuations in these products and transactions due to market factors, so as to avoid unnecessary constraints on the Group's future business operations.

Specific factors and considerations

When estimating the annual caps for total net inflow and total net outflow, the Company has considered various factors such as the transaction nature of specific types of securities and financial products, market fluctuations, and the availability of historical transaction data.

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The Company expects that the total inflow and outflow from the inter-bank lending and repurchase business, the asset management business, the bond trading business and the financial innovation business will account for more than 90% of the proposed annual caps of the Securities and Financial Products Transactions for the next three financial years, after considering the following key factors:

- (1) Over the next three financial years, the Group will continue to conduct inter-financial institution financing transactions such as inter-bank lending and repurchase, with Everbright Bank. Considering that most of these transactions are conducted through the PRC inter-bank bond market and the PRC exchange bond market and entered into within a very short timeframe, they are highly sensitive to market prices and are significantly impacted by fluctuations in market interest rates. In addition, given the varying price spread for funds with different maturities, the Company needs to adjust its positions in a timely manner based on its liquidity management and changes in market supply and demand and interest rate levels to meet its short-term funding adjustment needs. To effectively reduce capital operation costs, the Company has shortened the duration of its capital transactions and increased the frequency of transactions, resulting in larger scale of inflow and outflow generated from the transactions. From 2019 to 2023, the overall scale of the Company's repurchase and inter-bank lending business was substantial, with a compound annual growth rate of approximately 30%, and this trend is expected to further continue. Based on the actual amounts of the connected transactions from 2019 to 2022 and taking into account the Company's fund utilization efficiency and funding costs, and considering the overall scale of the Company's repurchase and inter-bank lending business, if the transaction prices with Everbright Bank are fair, it is expected that the scale of the Company's inter-bank lending and repurchase transactions with Everbright Bank will increase steadily by approximately 30% each year. In addition, due to the impact of quotations from all players in the inter-bank market and market fluctuations, the counterparties of repurchase and inter-bank lending transactions are highly random, and some products are traded anonymously in the inter-bank market. At the same time, the amount of funds required for the Group's business fluctuates with changes in the regulatory environment and market conditions. The Group may adjust its business strategy and focus for a certain period of time in response to relevant changes.

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Based on the above considerations, the Company has estimated the business volume of inter-bank lending and repurchase and other inter-financial institution financing transactions and the corresponding cash inflow and outflow for the three financial years ending December 31, 2025, 2026 and 2027, which is expected to account for approximately 33%, 35% and 38% of the expected annual inflow caps, respectively, and approximately 34%, 37% and 40% of the expected annual outflow caps, respectively.

- (2) Over the next three financial years, the Group will continue to conduct asset management business with Members of Everbright Group through its wholly-owned subsidiary, Everbright Asset Management. In April 2018, China issued the Guiding Opinions on Regulating the Asset Management Business of Financial Institutions (《關於規範金融機構資產管理業務的指導意見》), which specifies that new products issued by financial institutions shall comply with the relevant requirements of such new asset management regulations. With the transition period for such new asset management regulations ending in late 2021, Everbright Asset Management has substantially completed the rectification of its existing products, creating more favorable conditions for the Company's business development. At the same time, the Administrative Measures for the Supervision of Publicly Offered Securities Investment Fund Managers (《公開募集證券投資基金管理 人監督管理辦法》) issued by the CSRC has relaxed the qualification requirements for mutual fund manager. Everbright Asset Management has been actively pursuing the application for mutual fund manager license in light of the industry development trends, and advancing various preparations for transformation towards mutual fund, which will also be more conducive to Everbright Asset Management's further business expansion. As of the end of 2023, the existing scale of the asset management business of Everbright Asset Management was RMB300.291 billion, of which a significant portion was entrusted assets from Members of Everbright Group, and most of these products were managed by Everbright Asset Management. The subscription and redemption of these products primarily depend on investors' own decision-making, and each subscription or redemption will lead to an increase in the inflow/outflow of financial products. Considering the scale of the Group's existing business with Members of Everbright Group as at the end of 2023, the application progress of Everbright Asset Management's mutual fund manager license, and the future business needs of the Group, it is expected that, driven by Everbright Group's synergistic cooperation strategy, the business cooperation of

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Everbright Asset Management with Everbright Bank, Everbright Trust and Everbright Wealth Management Co., Ltd. within Everbright Group will continue to strengthen in the next three years.

Based on the above considerations, the Company has estimated the business volume of domestic and overseas asset management product transactions for the three financial years ending December 31, 2025, 2026 and 2027. The total inflow is expected to account for approximately 34%, 30% and 25% of the expected annual caps, respectively, and the total outflow is expected to account for approximately 35%, 31% and 27% of the expected annual caps, respectively.

- (3) Over the next three financial years, the Group will continue to conduct asset management product investment, custody, and proxy sale business with Members of Everbright Group through Everbright Futures, a wholly-owned subsidiary of the Group. For the three years ended December 31, 2023, the inflow from the asset management business of Everbright Futures amounted to approximately RMB8.7 billion, RMB18.8 billion and RMB37.7 billion, respectively, and the outflow from its asset management business amounted to approximately RMB4.4 billion, RMB17.7 billion and RMB31.5 billion, respectively. Based on historical figures from 2021 to 2023, the asset management business scale of Everbright Futures experienced rapid growth. With the scale of 2023 as a baseline, it is expected to continue to grow in the next three years, after considering the absolute value of the growth, and by reference to market factors as well as the Company's business development plans.

Based on the above considerations, the net inflow and net outflow of funds of the Group will continue to increase. It is expected that the total inflow of funds from such transactions will account for approximately 19%, 21% and 22% of the expected annual caps, respectively, and the total outflow of funds will account for approximately 16%, 18% and 18% of the expected annual caps, respectively, for the three financial years ending December 31, 2025, 2026 and 2027.

- (4) The bond transactions between the Group and Members of Everbright Group primarily involve trading of bonds issued or held by subsidiaries within Everbright Group. According to publicly available market data, the average annual bond issuance of major bond issuers within Everbright Group exceeded RMB100.0 billion from 2021 to 2023, with a compound annual growth rate of

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approximately 32%. Under the above-mentioned bond issuance scale, if the bonds issued or held by Members of Everbright Group are fairly priced, they can all become the subjects of the Company's bond transactions. The Company has also set certain buffers when estimating the relevant caps based on historical amounts to avoid restriction on or abandonment of business opportunities arising in the ordinary and usual course of business of the Group due to the need to revise and re-obtain approval from the Independent Shareholders for the annual caps.

Considering the above factors as well as the average term of the bonds and the Company's credit limit, it is expected that the business volume of bond transactions will continue to grow in the future. The Company expects that the total inflow of funds from such transactions will account for approximately 7%, 7% and 8% of the expected annual caps, respectively, and the total outflow of funds will account for approximately 7%, 8% and 9% of the expected annual caps, respectively, for the three financial years ending December 31, 2025, 2026 and 2027.

- (5) Since 2022, the financial innovation business of the Company has been continuously developing the derivatives trading business, and has begun to conduct increasingly frequent and larger-scale financial product transactions with other members of Everbright Group. In particular, (i) the wealth management products of Everbright Trust and Everbright Bank (as important market participants) have increasingly shown diversified and strategic characteristics, and with the strong demand for providing downside protection and value investing for clients, they have an increasing need for a large number of income receipts provided by the Company as investment products; (ii) the Company also provides enterprise OTC derivatives business services for Members of Everbright Group. When conducting transactions of equity products such as OTC options or return swaps with enterprises within Everbright Group, the Company's financial innovation business will provide a large amount of collateral for the performance of these transactions. For the two years ended December 31, 2022 and 2023, the size of the Company's financial innovation business was RMB160.0 billion and RMB105.0 billion respectively, and considering the market environment and internal synergies, the Company expects to carry out certain of businesses with connected persons in the future.

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Based on the above considerations, the Company has estimated the number of connected transactions involved in the derivatives trading business over the next three years. It is expected that the total inflow of funds from such transactions will account for approximately 1%, 1% and 1% of the expected annual caps, respectively, and that the total outflow of funds will account for approximately 1%, 1% and 1% of the expected annual caps, respectively.

- (6) Based on the above estimated inflow/outflow, a buffer of 5% has been set.

B. Securities and Financial Services

B.1 Scope of the Securities and Financial Services

The Securities and Financial Services to be provided by the Group to Members of Everbright Group include:

- (1) underwriting and sponsorship services, including but not limited to, issuance, sponsorship, underwriting, and continuous supervision and guidance services for equities, fixed income products, structured products and other derivative products;
- (2) other investment banking services, including but not limited to, financial advisory services relating to corporate restructuring, reorganization, mergers and acquisition, investment advisory services for asset management-related wealth management products, and consulting services;
- (3) brokerage services, including but not limited to, securities brokerage and related financial products services, leasing of trading seats, and futures brokerage services such as treasury bond futures;
- (4) proxy sale of financial product services, including but not limited to, provision of proxy sale services for financial products;
- (5) entrusted asset management services, including but not limited to, asset management services for assets entrusted by customers;
- (6) fund investment advisory services, other financial and securities advisory and consulting services, commodities services, etc.;
- (7) public-private partnerships (PPP) financial services;
- (8) financial leasing services and factoring financial services;

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- (9) derivative product services in relation to fixed income products and equity products;
- (10) custody and outsourcing services, including but not limited to, provision of asset custody, product valuation and accounting, investment supervision, share registration, information disclosure, etc.;
- (11) insurance brokerage and consultancy services; and
- (12) other securities and financial services permitted by applicable laws and regulations.

There were no material changes in the scope of the Securities and Financial Services mentioned above as compared to that of previous years.

The Securities and Financial Services to be provided by Members of Everbright Group to the Group include:

- (1) Deposit Services, including but not limited to, (a) deposits of balances arising from the Group's business operations including cash from daily operations, proceeds raised from equity and bond issuances; (b) cash deposits from the Group's customers; and (c) other deposit services;
- (2) proxy sale of financial product services, including but not limited to, provision of proxy sale services for the Group's financial products and precious metals;
- (3) deposits management and custody services, including but not limited to, the management services provided by Members of Everbright Group for the special accounts opened by the Group with relevant banks in China in which the deposits of the Group's non-financial institution customers shall be placed pursuant to the requirements of the PRC laws and regulations, and the relevant custody services provided by Members of Everbright Group for the securities and financial products issued by the Group;
- (4) loan services, including but not limited to, funds required for daily operations and loans as working capital;
- (5) other financial and securities advisory and consulting services, monetary brokerage services, commodities services, etc.;
- (6) other investment banking services, including but not limited to, financial advisory services;

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- (7) insurance services, including but not limited to, employee insurance;
- (8) financial leasing services and factoring financial services;
- (9) derivative product services in relation to fixed income products and equity products; and
- (10) other securities and financial services permitted by applicable laws and regulations.

There were no material changes in the scope of the Securities and Financial Services mentioned above as compared to that of previous years.

B.2 Pricing Basis of the Securities and Financial Services

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

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

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

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

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

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

- (2) **Brokerage services:** the commission rates for these services have become generally transparent and standardized across the market. The commission rates are determined based on arm's length negotiation with reference to the prevailing market rates for securities or futures sales or trades of a similar type and the size of the sale or trade.

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

- (3) **Proxy sale of financial product services:** the pricing for the proxy sale of financial product services is determined through arm's length negotiation between the parties by reference to the prevailing practices of securities firms, commercial banks, and other financial institutions for proxy sale business, as well as taking into account factors such as the type of financial product under the proxy sale. The pricing for proxy sale services may vary for different types of financial products.

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

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

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

- (5) **Leasing of trading seats:** the commission rate charged on the leasing of trading seats is generally transparent across the market. The current market commission rates range from 0.03% to 0.04%. The Group charges a percentage of the trading amount in respect of each trade conducted through its trading seats as its commission where such percentage shall be determined based on the then prevailing market price and industry practice.
- (6) **Advisory and consulting services:** the fees for such services are determined based on arm's length negotiation with reference to the prevailing market rates for transactions of similar type and size and taking into account the nature of the transaction, the complexity and the size of the transaction, the frequency of the relevant customer engaging in transactions with the Group and the prevailing market conditions. The Group provides the quotation to the customers based on the foregoing factors. After the customer has accepted the quotation of the Group, both parties will enter into the service agreement and the Group will provide services in accordance with the agreement.
- (7) **Public-private partnership related financial services:** the fee for public-private partnership financial services provided by the Group to Members of Everbright Group is primarily determined with reference to the market rates of projects of similar type and size after arm's length negotiation and taking into account the financing size agreed upon between the party seeking financing and the private sector partner to the project.

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- (8) **Financial leasing and factoring services:** the rates of such services have become generally transparent and standardized. The interest and fee rates charged to Members of Everbright Group by the Group for financial leasing and factoring services are mainly determined through arm's length negotiation by reference to the prevailing market rates and in light of the potential risks in relation to specific financial leasing and factoring projects.
- (9) **Custody and outsourcing services:** the rates of such services have become generally transparent and standardized. The Group performs the functions of asset custody, investment liquidation, valuation accounting, investment supervision, information disclosure and reporting in accordance with the requirements of laws and regulations and the provisions of the fund contract. Relevant rates shall be determined based on arm's length negotiation with reference to the factors including market competition.
- (10) **Insurance brokerage and consultancy services:** such services include but are not limited to brokerage for medical insurance, life insurance, accident and injury insurance, employee welfare insurance, property insurance and general liability insurance, as well as consulting services for various insurance products. Relevant rates are determined based on arm's length negotiation with reference to the factors including market competition.

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

Members of Everbright Group provide the Securities and Financial Services to the Group and charge services fees in respect thereof. The respective pricing mechanisms for the relevant Securities and Financial Services are set forth below:

- (1) **Deposit Services:** the pricing is determined with reference to the market interest rates for similar deposits with the same term in the domestic financial industry, and the applicable interest rates are not lower than those collected from other financial institutions for deposits with the same maturity and type for the same period.
- (2) **Proxy sale of financial product services:** the pricing for the proxy sale of financial product services is determined through arm's length negotiation between the parties by reference to the prevailing practices of securities firms, commercial banks, and other financial

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institutions for proxy sale business, and taking into account factors such as the type of financial product sold under the proxy sale. The pricing for proxy sale services may vary for different types of financial products.

- (3) **Deposit management and custody services:** the management and custody fees are determined on arm's length negotiation with reference to the prevailing market rates and taking into account the size and nature of the products.
- (4) **Loan services:** the interest rates on financing are determined by reference to the relevant interest rates stipulated by the PBOC for loans with the same duration, and taking into account the purpose and term of financing.
- (5) **Insurance services:** the Group primarily procures insurance services through public bidding. The Group selects insurance service providers based on a comprehensive evaluation of various factors, such as the type and pricing of the services offered by and the relevant experience of the participating insurance companies, etc. Therefore, the pricing of insurance services is primarily determined through competitive bidding.
- (6) **Financial leasing and factoring services:** the rates of such services have become generally transparent and standardized. The interest and fee rates charged to the Group by Members of Everbright Group for financial leasing and factoring services are mainly determined through arm's length negotiation by reference to the prevailing market rates and in light of the potential risks in relation to specific financial leasing and factoring projects.

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B.3 Pricing Approval and Supervision

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

- (1) The terms (including pricing terms) in respect of the Securities and Financial Services shall be similar to those offered by/to an independent third party for similar services, and shall be subject to the same internal selection, approval and supervision procedures and pricing policies applicable to an independent third party.
- (2) The Group has subscribed for information services provided by information service providers, such as Wind Info, and has access to information channels and websites of official and voluntary industry regulatory authorities. The Group will consider the various updated market information available, including published information on the amounts and interest rates of completed transactions, and terms offered by the transaction parties.
- (3) In respect of the Securities and Financial Services to be provided by Members of Everbright Group to the Group, the Group will collect information from certain suppliers with capabilities to provide similar Securities and Financial Services (including the information about fee and price level) and compare the services provided by independent third party with those offered by Members of Everbright Group in terms of quality and price level. The Group will generally refer to the pricing provided by two or more independent third parties for similar services to determine whether the prices and terms offered by Members of Everbright Group are fair and reasonable.
- (4) In respect of the Securities and Financial Services to be provided by the Group to Members of Everbright Group, the Company or its subsidiaries will refer to the pricing offered to two or more independent third parties for similar services to determine whether the prices and terms offered by the Company or its subsidiaries to Members of Everbright Group are fair and reasonable.
- (5) The Related Party/Connected Transactions Working Group is responsible for the daily management of the Group's related party/connected transactions. The Related Party/Connected Transactions Working Group collects data from the relevant business departments and subsidiaries of the Company, reviews the actual transaction amounts of different types of the Securities and Financial Services on a regular or ad hoc basis to ensure that the annual caps would not be exceeded, and reminds the business departments and the subsidiaries of the Company to supervise and control such connected transactions. The business departments and subsidiaries of the Company intending to conduct transactions will be

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responsible for proving that the related party/connected transactions are conducted on normal commercial terms or on terms no less (or more) favorable than those offered by or provided to independent third parties, and providing relevant evidence materials according to the requirements of the Related Party/Connected Transactions Working Group.

- (6) The continuing connected transactions are subject to the annual review by all the Independent Non-executive Directors, the internal audit department of the Company and the auditors of the Company. The results of the annual review conducted by the Independent Non-executive Directors and the auditors of the Company will be disclosed in the annual reports of the Company.
- (7) All documents and records with respect to related party/connected transactions are required to be maintained and kept properly.

B.4 Historical Transaction Amounts

The historical amounts of the Securities and Financial Services under the 2021 Everbright Group Financial Products and Services Framework Agreement between the Group and Members of Everbright Group for each of the two financial years ended December 31, 2023 and for the six months ended June 30, 2024 are as follows:

<i>RMB million</i>						
Securities and Financial Services	For the year ended		For the year ended		For the	For the
					year ending	six months
	December 31, 2022		December 31, 2023		December 31,	ended
	Historical		Historical		2024	June 30, 2024
	Annual	transaction	Annual	transaction	Annual	transaction
	cap	amount	cap	amount	cap	amount
Revenue generated by the Group from the provision of the Securities and Financial Services to Members of Everbright Group	1,145	321.96	1,374	342.51	1,718	148.41
Fees paid by the Group to Members of Everbright Group for their provision of the Securities and Financial Services	849	135.72	1,019	137.59	1,274	53.28

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B.5 Proposed Annual Caps

B.5.1 Proposed annual caps for the three financial years ending December 31, 2027

The Company estimates the annual caps for the continuing connected transactions in respect of the mutual provision of the Securities and Financial Services between the Group and Members of Everbright Group for each of the years 2025, 2026 and 2027 as follows:

Securities and Financial Services	Proposed annual caps for the three financial years ending December 31,		
	2025	2026	2027
	<i>(RMB million)</i>		
Revenue to be generated by the Group from the provision of Securities and Financial Services to Members of Everbright Group ⁽¹⁾	385.00	385.00	385.00
Fees to be paid by the Group to Members of Everbright Group for their provision of the Securities and Financial Services	152.00	152.00	152.00

Note:

- (1) As disclosed below, it is difficult for the Company to set the maximum daily deposit balance cap. As such, the Company has applied to the Hong Kong Stock Exchange for and has been granted a waiver from compliance with its obligation to set a maximum daily deposit balance cap under the 2024 Everbright Group Financial Products and Services Framework Agreement.

However, after considering the Group's average annual deposit balance placed with Everbright Bank for the two financial years ended December 31, 2023 and the six-month deposit balance placed with Everbright Bank for the six months ended June 30, 2024, as well as other relevant factors further elaborated below, the Company is able to roughly estimate the Group's average annual deposit balance to be placed with Everbright Bank for the next three financial years ending December 31, 2027, so as to calculate the approximate interest income that Everbright Bank is expected to pay on the Group's deposits placed with Everbright Bank for the next three financial years. Such estimated interest income has been included in the annual caps for the revenue to be generated by the Group from Members of Everbright Group.

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

The Company expects that the revenue generated from the provision of the Securities and Financial Services by the Group to Members of Everbright Group will include interest income, revenue from the investment banking business, revenue from the asset management business, revenue from the brokerage business and other income. When estimating the annual caps for the revenue to be generated from the provision of the Securities and Financial Services to Members of Everbright Group, the Company has taken into account the following key factors:

- (1) The historical transaction amounts of the Group for the two financial years ended December 31, 2023 and for the six months ended June 30, 2024.
- (2) In its ordinary and usual course of business, the Group deposits its proprietary funds and customer funds with Everbright Bank. It is expected that the interest on its proprietary funds and customer funds deposited by the Group with Everbright Bank will continue to contribute significant revenue. The Company has included the estimated interest to be paid by Everbright Bank on the Group's proprietary funds and customer funds deposited within the proposed annual caps. Pursuant to the Regulations on the Supervision and Administration of Securities Companies (《證券公司監督管理條例》), for a securities firm that engages in securities brokerage business, the transaction settlement funds from its customers shall be deposited with a designated commercial bank, and a separate account shall be opened and managed for each customer. Once a customer has decided to have his/her/its funds deposited with a particular bank, the Group shall open an account for the customer in accordance with such instructions. The Group cannot control customer deposits and withdrawals, as these amounts are entirely managed by the customers in accordance with their personal trading requirements, and the Group must act upon such instructions accordingly. In addition to taking into account the actual interest paid by Everbright Bank on the Group's proprietary funds and customer funds for the two financial years ended December 31, 2023 and the six months ended June 30, 2024, the Company also considers that the principal of investments in certain projects expected to be recovered will generate stable interest income.

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Based on the above considerations, the Company has estimated the total interest income to be generated from the Group's deposits with Everbright Bank for the three financial years ending December 31, 2025, 2026 and 2027, which is expected to account for approximately 56%, 56% and 56% of the proposed annual caps for the revenue to be generated from the Securities and Financial Services Transactions, respectively.

- (3) The revenue from the investment banking business mainly comprises revenue from bond underwriting and revenue from equity underwriting, in particular:
- (i) Given the ongoing market-oriented reforms in the bond market in China, which will be conducive to improving market efficiency and transparency and attracting more investors to participate, it is expected that the bond issuance scale will continue to expand. In recent years, regulators have repeatedly emphasized their support for leading securities firms to grow larger and become stronger. Capitalizing on this opportunity, the Company has continuously enhanced its competitiveness and underwritten diversified types of bonds, such as green bonds, sustainable development bonds and asset securitization products, supporting green development and low-carbon transition. At the same time, the Company has also taken advantage of market opportunities to increase the issuance of industrial bonds to better serve the real economy. According to historical data, the Company's total revenue from bond underwriting has steadily increased, with a growth rate of approximately 9.2% from 2022 to 2023. In particular, the revenue from the bond underwriting transactions between the Company and Members of Everbright Group represents approximately 10% of the Company's total revenue from bond underwriting. Considering that the average annual bond issuance of major bond issuers within Everbright Group exceeded RMB100.0 billion in recent years, and the above factors, the Company expects that such growth trend will further continue, and the revenue from bond underwriting will further increase.
 - (ii) Potential financing activities have been fully taken into consideration. Everbright Group has multiple listed companies both domestically and overseas. Its financial business segment focuses on four core areas including commercial banking, investment banking, commercial insurance, and asset management. Its industrial business segment focuses on three

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key industries including environmental protection, cultural tourism, and health and elderly care, and has multiple enterprises with considerable industry influence. Against the backdrop of the full implementation of the registration-based IPO system reform, the relevant listed companies and industrial enterprises within Everbright Group have financing needs such as refinancing and IPO, and business needs such as mergers and acquisitions and restructuring financial advisory services. As an integrated securities company controlled by Everbright Group, the Company has strong competitive advantages in the above business areas. If the Company can obtain project opportunities, it is expected that the revenue from the investment banking business of the Group will experience significant growth.

Based on the above considerations, the Company has estimated the total revenue of the Group to be generated from the investment banking business with Members of Everbright Group for the three financial years ending December 31, 2025, 2026 and 2027, which is expected to account for approximately 28%, 28% and 28% of the proposed annual caps for the revenue to be generated from the Securities and Financial Services Transactions, respectively.

- (4) In terms of the asset management business, during the period from 2021 to 2023, the management scale of China's mutual funds experienced an upward trend amid market fluctuations. According to statistics from the Asset Management Association of China, by the end of 2023, the AUM of mutual funds reached RMB27.27 trillion (excluding ETF feeder funds), registering a year-on-year increase of 5.9%. With the advancement of the mutual fund fee reform, the investment experience of investors has been further improved, which will promote the further development of the mutual fund asset management industry. The Group will continue to focus on asset management and further diversify its product offerings and distribution, and actively advance the application for the qualification of Everbright Asset Management as mutual fund manager. Based on historical data, the scale of the Group's asset management and the progress of the application for the qualification of Everbright Asset Management as mutual fund manager, it is expected that the income from the Group's asset management business will grow steadily in the next three financial years.

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Based on the above considerations, the Company has estimated the revenue from the asset management business for the three financial years ending December 31, 2025, 2026 and 2027, which is expected to account for approximately 6%, 6% and 6% of the proposed annual caps for the revenue to be generated from the Securities and Financial Services Transactions, respectively.

- (5) The Group provides brokerage services to its customers, in particular:
 - (i) Given the nature of the brokerage business and prevailing trading practices, the choice of broker for transactions and the transaction volume are at the customers' sole discretion and beyond the control of the Group. As a result, the Group cannot predict the transaction amount of its customers in advance, and pre-setting transaction limits for its customers is not beneficial to the Group.
 - (ii) The Group leases trading seats to Members of Everbright Group including Everbright Wealth Management and Sun Life Everbright, and derives a relatively stable commission income from them, with commissions maintaining at a range of 0.03% to 0.04%.

Based on the above considerations, the Company has estimated the revenue to be generated from the provision of brokerage services to Members of Everbright Group for the three financial years ending December 31, 2025, 2026 and 2027, which is expected to account for approximately 2%, 2% and 2% of the proposed annual caps for the revenue to be generated from the Securities and Financial Services Transactions, respectively.

- (6) Other revenues include revenue from custody business and investment advisory services, in particular:
 - (i) The Group provides custody and outsourcing services to Members of Everbright Group and receives corresponding service fees, which mainly include: (1) since 2016, the corresponding service fees charged for providing outsourcing services on electronic contract and units registration for the trust plans and for providing a complete set of valuation outsourcing services for series of standard trusts and family trusts managed by Members of Everbright Group. The Company expects that the service business will continue to develop in the future; (2) since 2024, the Group expects that it will continue to provide custody outsourcing services for private placement products issued by Members of Everbright

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Group that are registered with the Asset Management Association of China as private placement fund managers. Based on the above considerations, the Company expects to receive stable revenue from such services.

- (ii) The Group will develop its bond investment advisory business in the future, providing customers with tailored investment advice and solutions by leveraging the Group's extensive experience and expertise in the bond market to help them achieve their investment goals in a complex and volatile market environment. It is expected that the scale of the business will gradually increase in the next three years.

Based on the above considerations, the Company has estimated the revenue to be generated from the provision of other services to Members of Everbright Group for the three financial years ending December 31, 2025, 2026 and 2027, which is expected to account for approximately 4%, 4% and 4% of the proposed annual caps for the revenue to be generated from the Securities and Financial Services Transactions, respectively.

- (7) Based on the above estimates, a buffer of 5% has been set.

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

The Company expects that the fees to be paid by the Group to Members of Everbright Group for the Securities and Financial Services will include brokerage expenses, asset management expenses, interest expenses and insurance expenses. When estimating the annual caps for the fees to be paid by the Group to Members of Everbright Group for the Securities and Financial Services, the Company has taken into account the following key factors:

- (1) The historical transaction amounts for the two financial years ended December 31, 2023 and for the six months ended June 30, 2024.
- (2) The Group expects to pay brokerage settlements, asset custody fees and service fees for the distribution of financial products to Members of Everbright Group in 2025, 2026 and 2027, in particular:
 - (i) Regular interest settlement with clients is required for the brokerage business of the Group. The expenses incurred thereby is determined by the amount of funds retained by the clients, which is based on the clients' discretion, and are

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therefore beyond the Group's control. The Group cannot predict the amount in advance, and setting a cap for interest settlement ahead of time is not beneficial to the Group.

- (ii) As for the custody fees arising from fund operations, taking into account historical data, business nature and intra-group collaboration, it is estimated that the Group's expenses such as custody fees will remain generally consistent with historical levels.
- (iii) The Group primarily conducts the proxy sale of collective wealth management plans on asset management, mutual funds and other financial products through Everbright Bank. With the continuous expansion of Everbright Bank's customer base, its capability in proxy sale is expected to grow, and the scale of products under the proxy sale will further increase accordingly. With the implementation of medium-and long-term strategic planning and synergistic strategies by Everbright Group, the appetite of Everbright Bank in the proxy sale of financial products issued by the Group is expected to increase.

Based on the above considerations, the Company has estimated the brokerage settlements, asset custody fees and service fees for the distribution of financial products to be paid to Members of Everbright Group in 2025, 2026 and 2027, which will account for approximately 39%, 39% and 39% of the respective proposed annual caps for the fees to be paid by the Group to Members of Everbright Group.

- (3) Based on the historical data, the interest on financing transactions such as loans expected to be paid by the Group to Members of Everbright Group for the next three financial years is expected to remain generally consistent, which will account for approximately 33%, 33% and 33% of the respective proposed annual caps for the fees to be paid by the Group to Members of Everbright Group, respectively.
- (4) The cooperation between the Group and Sun Life Everbright in the insurance business is expected to continue in the next three years, resulting in insurance expenses such as group supplemental medical insurance and women's health insurance. In addition, for the enterprise annuity account management business, the Group will continue to cooperate with Everbright Bank and pay management fees for the enterprise annuity account to Everbright Bank.

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Based on the above considerations, the Company has estimated the fees expected to be paid by the Group for its cooperation with Sun Life Everbright and Everbright Bank in 2025, 2026 and 2027, which are expected to account for approximately 22%, 22% and 22% of the respective proposed annual caps for the fees to be paid by the Group to Members of Everbright Group, respectively.

(5) Based on the above estimates, a buffer of 5% has been set.

In determining the annual caps for the next three financial years, the Company assumes that for the duration of the projected period, there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which may materially affect the Group's businesses and those of Members of Everbright Group during the term of the 2024 Everbright Group Financial Products and Services Framework Agreement.

C. Waiver Application

In its ordinary and usual course of business, the Group deposits its proprietary funds and customer funds with Everbright Bank (a connected person of the Company). The Group has applied for a waiver from the Hong Kong Stock Exchange in relation to setting a maximum daily deposit balance cap on the Group's proprietary funds and customer funds to be placed with Everbright Bank, and the Hong Kong Stock Exchange has granted us a waiver from strict compliance with the maximum daily balance requirements set out in Rule 14A.53 of the Hong Kong Listing Rules.

Grounds for the waiver application are as follows:

C.1 Customer funds

Pursuant to the Regulations on the Supervision and Administration of Securities Companies (as amended) (《證券公司監督管理條例》(經修訂)) issued by the State Council of the PRC on July 29, 2014, securities firms engaged in the securities brokerage business must deposit transaction settlement funds from its customers in a designated commercial bank, and a separate account must be opened and managed for each customer.

Once a customer has decided to have its funds deposited with a particular bank, the Group must open an account for the customer in accordance with such instruction. When a brokerage customer purchases securities through the Group (as such customer's securities broker), the funds would flow from such customer's individual account maintained at a particular commercial bank to the customer funds account of the Group maintained at that commercial bank, which will then be settled with the relevant securities settlement agency. When a brokerage customer of the

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Group sells securities through the Group (as such customer's securities broker), the settlement funds would first flow from the relevant settlement agency to the customer funds account of the Group maintained at the commercial bank with which that customer opened its individual account, and the settlement funds would then flow to the individual account of that customer maintained at this particular commercial bank.

The Group cannot control customer deposits and withdrawals, as they are entirely managed by the customers in accordance with their personal trading requirements and the Group must act upon such instruction accordingly. Therefore, it is burdensome and impracticable for the Group to estimate and set a maximum daily balance cap for such deposits.

C.2 The Group's proprietary funds

The Group's proprietary funds are primarily used to support the daily operations of various business lines and general working capital of the Group.

- (1) It is challenging for the Group to set a maximum daily deposit balance cap on the deposits of the Group's proprietary funds because such deposits are mainly subject to the ever-changing market conditions, which may fluctuate significantly and makes it difficult for the Group to make forecasts in advance.

Margin financing and securities lending business

The Group offers margin financing and securities lending services to its customers in the ordinary and usual course of business. China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限公司) ("CSDC") is the statutory clearance and settlement agency for margin financing and securities lending business in China. Each PRC securities firm providing margin financing and securities lending should file its settlement account information (the "**Settlement Account**") with CSDC to receive the daily settlement funds in relation to the margin financing and securities lending transactions. The Group has filed its proprietary funds account maintained at Everbright Bank as the Settlement Account. The daily amount of the settlement funds of margin financing and securities lending transactions is closely linked to the daily trading volume of margin financing and securities lending transactions, which is largely affected by the prevailing securities market conditions. Since the prevailing securities market may fluctuate from time to time, it would be difficult for the Group to forecast the daily trading volume of margin financing and securities lending transactions and the amount of daily settlement funds received from CSDC. Meanwhile, margin financing and securities lending transactions are initiated by customers and the Group is not able to predict the transactions to be conducted by customers in advance.

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Underwriting business

In its ordinary and usual course of business, the Group acts as underwriter in IPOs, follow-on offerings, private placements, rights issues, equity-linked offerings and issuance of fixed income products for corporate clients. In accordance with the common practices in China's securities market, investors would be required to transfer the subscription funds for such transactions to the account of the lead underwriter, and the lead underwriter would then remit these funds (net of underwriting and sponsorship fees) to the account of the issuer within a short period of time.

The amount of funds remitted to the Group's account under this business are contingent upon the number of such transactions in which the Group participates as the lead underwriter and the proceeds raised by corporate customers in the offerings, subject to prevailing market conditions which are difficult to forecast. As a subsidiary of Everbright Group, the Group has developed a longstanding cooperation with Everbright Bank for depositing proceeds from fund raising activities of the Group's corporate customers, and such deposits are on general commercial terms or better terms than those offered by other independent banks. Through such cooperation, Everbright Bank has become substantially familiar with the Group's fund operation practices and facilitates effective and smooth communication between Everbright Bank and the Group. Therefore, if the Group has to change such account maintained at Everbright Bank to an account maintained at an independent commercial bank, it would cause unnecessary interruption to the Group's underwriting business, which is not in the best interest of the Group.

Proprietary trading

The Group engages in proprietary trading of a wide range of financial products in its usual and ordinary course of business, including but not limited to, equities and equity-linked securities and fixed income products. The financial products that the Group's proprietary trading business invests in have corresponding settlement agencies, including but not limited to, CSDC and the PRC inter-bank bond market. Everbright Bank has been designated by the Group as the Group's settlement bank for most of such financial products. Accordingly, most of the settlement funds of the Group's proprietary trading would be transferred by the settlement agencies into the deposit accounts of the Group maintained at Everbright Bank. The Group may from time to time liquidate some of the proprietary financial products and investment portfolios to realize cash, the amount of which, however, is highly uncertain and can be very substantial, and is also mainly subject to the financial market conditions which may fluctuate significantly and is difficult for the Group to forecast.

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If a cap is required to be set on the daily deposit balance limit of the deposits of the Group's proprietary funds realized from the Group's proprietary trading placed with Everbright Bank, it will cause undue burden and inconvenience to the Group for the following reasons:

- (i) The Group can only obtain information on the deposit balance of the Group's proprietary funds realized from the Group's proprietary trading placed with Everbright Bank after trading hours.

As mentioned above, most of the settlement funds of the Group's proprietary trading would be transferred by the settlement agencies into the deposit accounts of the Group maintained at Everbright Bank. The Group can only obtain information about the daily settlement amount of the funds of proprietary trading after trading hours. Therefore, the Group would not have information about the actual daily deposit balance of the proprietary funds placed with Everbright Bank during trading hours of that day.

In a typical situation where annual caps are set for continuing connected transactions, a listed issuer can monitor the aggregate actual transaction amount on an ongoing basis and take appropriate action beforehand to ensure that the aggregate actual transaction amount would not exceed the pre-set annual cap. However, in the Group's case, since (i) the amount of the settlement funds realized from daily proprietary trading and the daily deposit balance placed with Everbright Bank are only known to the Group after trading hours; and (ii) the Group's proprietary trading activities need to respond promptly to changes in the highly volatile financial markets, it would cause significant inconvenience to the Group if it is required to monitor and calculate the deposit balance on an ongoing basis, and the Group will not be able to take appropriate action beforehand to ensure that the daily deposit balance placed with Everbright Bank does not exceed the pre-set daily cap. As such, setting a cap on the daily deposit balance of the Group's proprietary funds placed by the Group with Everbright Bank is not meaningful to the Group because the Group can only become aware of whether the actual daily balance of such deposit has exceeded the daily cap afterwards instead of beforehand.

- (ii) Setting a cap on the daily deposit balance of the Group's proprietary funds placed with Everbright Bank may impose undue restrictions on the Group's proprietary trading business, which is not in the interest of the Company and its Shareholders.

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The purpose of the Group's proprietary trading is to maximize investment return while ensuring the risks associated with proprietary trading are under proper control. Financial products are highly responsive to the ever-changing market conditions, which requires the traders to take proper actions promptly (such as the purchase, sale or liquidation of proprietary financial products and investment portfolios) in response to maximize investment return. If a cap is set on the daily deposit balance limit on the Group's proprietary funds placed with Everbright Bank, when conducting the proprietary trading, the Group's traders would not only need to take into account the ever-changing market conditions, but also estimate the impact on the daily deposit balance of the Group's proprietary funds placed with Everbright Bank arising from the potential investment decisions to be made. This may hamper the Group's ability to respond to the changes in highly volatile financial markets promptly and thus adversely impact the Group's investment return from proprietary trading. Therefore, such undue burden and restrictions on the Group's proprietary trading business may not be in the interest of the Company and its Shareholders.

- (2) Deposit transactions are "passive" in nature, meaning the commercial bank in which the Group deposits funds pays the Group the corresponding interest pursuant to the relevant terms and conditions.

When choosing a bank for placing its deposits, the Group will consider various factors such as the deposit interest rate offered by the bank, the geographical convenience of the branches located both domestically and overseas and other favorable terms offered by the bank. The decision made by the Group in choosing the most appropriate bank to place its deposits with is entirely driven by commercial reasons and the deposit arrangements between the Group and Everbright Bank are also conducted based on normal commercial terms.

The Group prefers to deposit its proprietary funds with Everbright Bank for following reasons:

- (i) The Group has developed a longstanding cooperation with Everbright Bank in fund management. For example, as mentioned above, the Group has registered Everbright Bank as its settlement bank with major settlement agencies for various financial products and transactions that the Group invests or engages in to receive the settlement amount. Through such longstanding cooperation, Everbright Bank has become familiar with the procedures of the Group's fund management, which contributes to the Group's operational efficiency in fund management. If the Group has to

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change an account maintained at Everbright Bank to an account maintained at an independent commercial bank, it would cause unnecessary interruption to the Group's daily business operation, which is not in the best interest of the Group;

- (ii) In line with the Group's overall development strategy, Everbright Group has been encouraging its members (including the Company and Everbright Bank) to cooperate in various aspects to achieve synergy. Based on past experience, Everbright Bank has consistently been able to utilize its resources to provide timely support to meet the Group's funding needs, which facilitates the effective operation of the Group's business; and
- (iii) Prior to deciding to deposit its proprietary funds with Everbright Bank, the Group would ascertain that the terms offered to the Group by Everbright Bank are fair, reasonable and no less favorable than those offered by independent commercial banks. In particular, the Group would confirm that the deposit interest rate is based on the prevailing market interest rate for the same type of deposits with the same duration in the financial industry in China, and such interest rate is not lower than the comparable deposit interest rate offered by other commercial banks during the same period.

In the event that any further amendments to the Hong Kong Listing Rules impose more stringent requirements on the continuing connected transactions referred to in the waiver application than those currently applicable to the Company, the Company will take immediate steps to ensure compliance with such new requirements within a reasonable period of time.

D. Reasons for and Benefits of Entering into the 2024 Everbright Group Financial Products and Services Framework Agreement

The reasons for and benefits of entering into the 2024 Everbright Group Financial Products and Services Framework Agreement between the Company and Everbright Group are as follows:

- (1) The Securities and Financial Products Transactions and the Securities and Financial Services Transactions under the 2024 Everbright Group Financial Products and Services Framework Agreement are and will be conducted in the ordinary and usual course of business of the Group. Such transactions will continue to be agreed on arm's length basis with terms that are fair and reasonable to the Company. Due to the historical and future long-term cooperation between the Group and Members of Everbright Group, the Directors believe that it is beneficial to the Group to renew the Everbright

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Group Financial Products and Services Framework Agreement with Everbright Group as the transactions thereunder have facilitated and will continue to facilitate the overall business operations and growth of the Group's business.

- (2) These transactions will provide cost synergies by integrating favorable resources between the Group and Members of Everbright Group, thereby reducing the aggregate operational costs and general expenses so as to improve the profitability and to strengthen the leading position of the Company in the securities industry.
- (3) Further, such continuing connected transactions will enable Members of Everbright Group to deepen their understanding of the operations of the Group, which will allow them to provide the Group with services and/or products that are more tailored and efficient compared to those available from independent third parties.

The Directors are of the view that the Securities and Financial Products Transactions and the Securities and Financial Services Transactions under the 2024 Everbright Group Financial Products and Services Framework Agreement will be conducted on normal commercial terms in the Company's ordinary and usual course of business, and the terms and conditions therein as well as the proposed annual caps for the continuing connected transactions contemplated thereunder are fair and reasonable, and are in the interests of the Company and its Shareholders as a whole. The view of the Independent Non-executive Directors of the Company on the 2024 Everbright Group Financial Products and Services Framework Agreement and the proposed annual caps is set out in the letter from the Independent Board Committee contained in this circular after considering the advice from the Independent Financial Adviser.

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E. Implications of the Hong Kong Listing Rules

E.1 Connected persons involved

Connected person	Relationship with the Group
Everbright Group:	As at the date of this circular, Everbright Group is directly interested in 1,159,456,183 A Shares of the Company, representing 25.15% of the total issued share capital of the Company, and is indirectly interested in 956,017,000 A Shares of the Company through Everbright Limited, representing 20.73% of the total issued share capital of the Company. Accordingly, Everbright Group is the controlling Shareholder of the Company, and Members of Everbright Group are connected persons of the Company.
Everbright Bank:	Everbright Bank is a consolidated subsidiary of Everbright Group and accordingly, is an associate of Everbright Group and therefore a connected person of the Company.

Pursuant to Chapter 14A of the Hong Kong Listing Rules, Members of Everbright Group are connected persons of the Company, and therefore the transactions contemplated under the 2024 Everbright Group Continuing Connected Transactions Framework Agreements constitute the continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

E.2 2024 Everbright Group Financial Products and Services Framework Agreement

As the respective highest applicable percentage ratios (as defined in Rule 14.07 of the Hong Kong Listing Rules) in respect of the proposed annual caps for the Securities and Financial Products Transactions contemplated under the 2024 Everbright Group Financial Products and Services Framework Agreement for the three financial years ending December 31, 2027 exceed 5%, such continuing connected transactions are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As the respective highest applicable percentage ratios in respect of the proposed annual caps for the Securities and Financial Services Transactions (Deposit Services excluded) for the three financial years ending December 31, 2027

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exceed 0.1% but are less than 5%, such continuing connected transactions are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement.

The Company has reapplied to the Hong Kong Stock Exchange for a waiver from strict compliance with the maximum daily deposit balance cap on the Group's proprietary funds and customer funds placed with Everbright Bank as required under Rule 14A.53 of the Hong Kong Listing Rules, and the Hong Kong Stock Exchange has granted such a waiver. However, the Deposit Services are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

On October 30, 2024, the Company held a Board meeting, at which the "Resolution Regarding Entering into of the Framework Agreement on Ordinary Related Party (Connected) Transactions with China Everbright Group Ltd." was considered and approved. Mr. Zhao Ling and Mr. Liu Qiuming (being executive Directors of the Company), and Ms. Ma Rentao, Mr. Lian Yalin, Ms. Wang Yun and Mr. Yin Yanwu (being non-executive Directors of the Company) are deemed to have material interests in all of the above continuing connected transactions to be contemplated between the Group and Members of Everbright Group and have abstained from voting with respect to considering and approving the resolution at the Board meeting. Save as disclosed above, no other Directors have a material interest in such transactions, and therefore none of the other Directors abstained from voting with respect to the aforesaid resolution at the Board meeting.

F. General Information

F.1 Information about Everbright Group

Everbright Group is a state-owned enterprise incorporated under the laws of the PRC on November 12, 1990. It was promoted and established by the Ministry of Finance of the PRC and Central Huijin Investment Ltd. (中央匯金投資有限責任公司). Everbright Group is committed to the long-term strategic objective of building a world-class finance holding group with Chinese characteristics, and creates and leverages its strategic advantages in comprehensive finance, synergy of industry and finance, and cross-border operations. It has several listed companies at home and abroad, and its operating results showed steady growth in its two major business segments, namely finance and industry. In terms of finance segment, it focuses on the four core businesses, namely commercial banking, investment banking, commercial insurance and asset management. In terms of featured industry segment, it focuses on the three key industries, namely environmental protection, cultural tourism and health care.

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F.2 Information about the Group

The Group is a full-service securities group with strong innovation capabilities and an integrated onshore and offshore business platform. As a core financial services platform of Everbright Group, the Group benefits from synergies within Everbright Group and from the “Everbright” brand recognition. The Group offers a full range of financial products and services to a large and diversified client base that includes enterprises, financial institutions, governments and individuals. The Group’s main business includes the 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.

III. THE EGM

The EGM will be held at 2:30 p.m. on Tuesday, December 24, 2024 at Jing’an International Plaza, No. 1508 Xinzha Road, Jing’an District, Shanghai, the PRC, to consider and, if thought fit, approve the aforesaid resolution. The notice of the EGM is set out on pages 74 to 76 of this circular.

In accordance with the Hong Kong Listing Rules, Everbright Group and Everbright Limited (a subsidiary of Everbright Group) will abstain from voting on the “Resolution Regarding Entering into of the Framework Agreement on Ordinary Related Party (Connected) Transactions with China Everbright Group Ltd.” to be proposed for approval at the EGM, and shall not be appointed by other Shareholders as proxies to vote. As at the Latest Practicable Date, Everbright Group and Everbright Limited directly held 1,159,456,183 A Shares and 956,017,000 A Shares, representing 25.15% and 20.73% of the total issued share capital of the Company, respectively.

To the best of the knowledge of the Directors and having made all reasonable enquiries, save for Everbright Group and Everbright Limited, no other Shareholders have any material interests in the Securities and Financial Products Transactions or the Deposit Services transactions under the 2024 Everbright Group Financial Products and Services Framework Agreement, nor are they required to abstain from voting on the resolution to be proposed at the EGM in this regard.

A form of proxy for use at the EGM is enclosed. The form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.ebscn.com). Whether or not you are able to attend the EGM, you are advised to read the notice of the EGM and to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible. For H Shareholders, the form of proxy or any other authorization documents should be returned to the Company’s H share registrar, Computershare Hong Kong Investor Services Limited, in person or by post but in any event not less than 24 hours before the time appointed for holding the EGM (i.e. before

LETTER FROM THE BOARD

2:30 p.m. on Monday, December 23, 2024) or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof if they so wish.

Computershare Hong Kong Investor Services Limited, the Company's H share registrar, is located at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (Telephone: (852) 2862 8555).

IV. VOTING BY POLL

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

Save as mentioned above, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no other Shareholders have any material interests in the above resolution or are required to abstain from voting on the above resolution at the EGM.

LETTER FROM THE BOARD

V. RECOMMENDATION

The Directors (including the Independent Non-executive Directors) are of the view that the Securities and Financial Products Transactions and the Deposit Services under the 2024 Everbright Group Financial Products and Services Framework Agreement will be conducted in the ordinary and usual course of business of the Group and on normal commercial terms, and the proposed annual caps for the continuing connected transactions contemplated under the Securities and Financial Products Transactions are fair and reasonable, and are in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors (including the Independent Non-executive Directors) recommend you to vote in favour of the “Resolution Regarding Entering into of the Framework Agreement on Ordinary Related Party (Connected) Transactions with China Everbright Group Ltd.” to be proposed at the EGM.

VI. ADDITIONAL INFORMATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out in this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders; and (ii) the letter from the Independent Financial Adviser set out in this circular which contains its advice to the Independent Board Committee and the Independent Shareholders, both in relation to the Securities and Financial Products Transactions between the Group and Members of Everbright Group (including the annual caps for the three financial years ending December 31, 2027) and the Deposit Services to be provided to the Group by Everbright Bank contemplated under the 2024 Everbright Group Financial Products and Services Framework Agreement.

Independent Shareholders are advised to carefully read the above letters prior to deciding as to how to vote on the relevant resolution at the EGM.

Your faithfully,
By order of the Board
Everbright Securities Company Limited
Zhao Ling
Chairman

Shanghai, the PRC

* *The proposed annual caps referred to in this circular are only estimated based on a range of assumptions and conditions. Such estimated values should not be construed as indicative of the Company's revenue or profit.*



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)

December 2, 2024

To the Independent Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated December 2, 2024 (the “**Circular**”) of which this letter forms a part. Unless the context requires otherwise, terms defined in the Circular shall have the same meanings when used herein.

We have been appointed by the Board as the Independent Board Committee to consider and advise the Independent Shareholders on whether, in our opinion, the Securities and Financial Products Transactions between the Group and Members of Everbright Group (including the annual caps for the three financial years ending December 31, 2027) and the Deposit Services to be provided to the Group by Everbright Bank contemplated under the 2024 Everbright Group Financial Products and Services Framework Agreement (details of which are set out in the Letter from the Board) are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the Securities and Financial Products Transactions (including the proposed annual caps) and the Deposit Services under the 2024 Everbright Group Financial Products and Services Framework Agreement. Details of the advice from Gram Capital, together with the principal factors taken into consideration in arriving at such advice, are set out in its letter on pages 55 to 73 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 7 to 52 of the Circular and the additional information set out in Appendix I.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the Securities and Financial Products Transactions between the Group and Members of Everbright Group (including the annual caps for the three financial years ending December 31, 2027) and the Deposit Services to be provided to the Group by Everbright Bank contemplated under the 2024 Everbright Group Financial Products and Services Framework Agreement, the interests of the Independent Shareholders and the advice of the Independent Financial Adviser, we are of the opinion that the Securities and Financial Products Transactions and the Deposit Services under the 2024 Everbright Group Financial Products and Services Framework Agreement will be conducted in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms and conditions therein as well as the proposed annual caps for the continuing connected transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and its Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the EGM so as to approve the Securities and Financial Products Transactions between the Group and Members of Everbright Group (including the annual caps for the three financial years ending December 31, 2027) and the Deposit Services to be provided to the Group by Everbright Bank contemplated under the 2024 Everbright Group Financial Products and Services Framework Agreement.

Yours faithfully,

For and on behalf of the Independent Board Committee of

Everbright Securities Company Limited

Mr. Ren Yongping, Mr. Yin Junming, Mr. Lau Ying Pan,

Ms. Chen Xuanjuan and Mr. Lv Suiqi

Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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



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

2 December 2024

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

Dear Sirs,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the Securities and Financial Products Transactions; and (ii) the Deposit Services contemplated under the 2024 Everbright Group Financial Products and Services Framework Agreement (together with the Securities and Financial Products Transactions, the “**Transactions**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 2 December 2024 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

The 2021 Everbright Group Financial Products and Services Framework Agreement shall be valid until 31 December 2024. Taking into account the expiry of the 2021 Everbright Group Financial Products and Services Framework Agreement on 31 December 2024, the Company proposed to enter the 2024 Everbright Group Financial Products and Services Framework Agreement for a term of three years commencing from 1 January 2025 to 31 December 2027. As confirmed by the Directors, the 2024 Everbright Group Financial Products and Services Framework Agreement will be entered into between the Company and Everbright Group upon the Independent Shareholders’ approval on the EGM.

With reference to the Board Letter, the Securities and Financial Products Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules and are subject to the reporting, announcement, annual review and Independent Shareholders’ approval requirements under Chapter 14A of the Hong Kong Listing Rules. In addition, the Company has reapplied to the Hong Kong Stock Exchange for a waiver

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

from strict compliance with the maximum daily deposit balance cap on the Group's proprietary funds and customer funds placed with Everbright Bank as required under Rule 14A.53 of the Hong Kong Listing Rules, and the Hong Kong Stock Exchange has granted such waiver. However, the deposit services are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The Independent Board Committee comprising Mr. Ren Yongping, Mr. Yin Junming, Mr. Lau Ying Pan, Ms. Chen Xuanjuan and Mr. Lv Suiqi (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Transactions are on normal commercial terms and are fair and reasonable; (ii) whether the Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Transactions at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

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

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the 2024 Everbright Group Financial Products and Services Framework Agreement. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Hong Kong Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Everbright Group or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the entering into of the 2024 Everbright Group Financial Products and Services Framework Agreement. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

Information on the Group

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Information on the Everbright Group

With reference to the Board Letter, Everbright Group is a state-owned enterprise incorporated under the laws of the PRC on 12 November 1990. It was promoted and established by the Ministry of Finance of the PRC and Central Huijin Investment Ltd. (中央匯金投資有限責任公司). Everbright Group is committed to the long-term strategic objective of building a world-class finance holding group with Chinese characteristics, and creates and leverages its strategic advantages in comprehensive finance, synergy of industry and finance, and cross-border operations. It has several listed companies at home and abroad, and its operating results showed steady growth in its two major business segments, namely finance and industry. In terms of finance segment, it focuses on the four core businesses, namely commercial banking, investment banking, commercial insurance and asset management. In terms of featured industry segment, it focuses on the three key industries, namely environmental protection, cultural tourism and health care.

Reasons for and benefit of the Transactions

Details of the reasons for and benefits of the Transactions set out under the section headed “D. Reasons for and benefits of entering into the 2024 Everbright Group Financial Products and Services Framework Agreement” of the Board Letter.

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

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

PRINCIPAL TERMS OF THE TRANSACTIONS

Set out below are the key terms of the Transactions, details of which are set out under the section headed “II. 2024 Everbright Group Financial Products and Services Framework Agreement” of the Board Letter.

Parties: The Company and Everbright Group

Term: For the three years from 1 January 2025 to 31 December 2027

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Subject matters: The Securities and Financial Products Transactions include:

- (a) securities products with fixed income features, including but not limited to, bonds, funds, trusts, wealth management products, asset management schemes, asset securitization products, convertible bonds, bond lending and borrowing, structured products, swaps, futures, forwards, options and other financial products with fixed income features;
- (b) fixed income related derivative products, including but not limited to, interest rates and trading of credit derivative products;
- (c) equity-related products, including but not limited to, trading and/or subscription of equities (including those in connection with market-making activities on the National Equities Exchange and Quotations), funds, trusts, wealth management products, asset management products and equity derivative products (including but not limited to return swaps, OTC options and convertible bonds);
- (d) financing transactions – financing transactions among financial institutions with or without guarantees/pledges, including but not limited to, inter-bank lending, repurchase, inter-bank deposits, usufruct, asset securitization, corporate account overdrafts, pledged loans, and mutual holding of debt certificates (including but not limited to, short-term financing bonds, income receipts, subordinated debts and corporate bonds); and
- (e) other related securities and financial products permitted by applicable laws and regulations, including but not limited to, foreign exchange, commodities, precious metals and derivatives.

There were no material changes in the scope of the Securities and Financial Products Transactions mentioned above as compared to that of previous years.

Deposit services, including but not limited to, (a) deposits of balances arising from the Group's business operations including cash from daily operations, proceeds raised from equity and bond issuances; (b) cash deposits from the Group's customers; and (c) other deposit services.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pricing bases

Securities and Financial Products Transactions

The Securities and Financial Products Transactions are conducted through the PRC inter-bank bond market and the PRC exchange bond market, exchanges (including stock exchanges, futures exchanges, the Shanghai Gold Exchange and the China Foreign Exchange Trade System) and the fund market. Such transactions are and will continue to be conducted in the Group's ordinary and usual course of business with high frequency. Their pricing shall be determined by reference to prevailing market rates or prices, or through arm's length negotiations based on market rates or prices generally applicable to independent counterparties for similar types of products or transactions. Details of the pricing mechanisms are set out under the section headed "A.2 Pricing Basis of the Securities and Financial Products Transactions" of the Board Letter.

For our due diligence purpose, we searched over the Hong Kong Stock Exchange's website for securities and financial product transactions (which cover all types of transactions under the Securities and Financial Products Transactions) as conducted between securities firms (which were listed on the Stock Exchange) and their connected persons from 1 January 2022 to 30 October 2024 (being the date on which the Company's announcement in relation to the Transactions published, the "**Announcement Date**"). To our best endeavours, we found five transactions (i.e. announcements of (i) China Merchants Securities Co., Ltd. (6099 & SH600999) dated 27 May 2022, (ii) CITIC Securities Company Limited (6030 & SH600030) dated 30 September 2022, (iii) Haitong Securities Co., Ltd. (6837 & SH600837) dated 30 December 2022, (iv) China Galaxy Securities Co., Ltd. (6881 & SH601881) dated 29 March 2023, and (v) Guotai Junan Securities Co., Ltd. (2611 & SH601211) dated 20 October 2023) met such selection criteria (the "**Comparable Transactions**"). We noted that the pricing policies under the Securities and Financial Product Transactions are generally in line with pricing policies for the Comparable Transactions. As the Comparable Transactions were exhaustive based on the aforesaid selection criteria, we consider the Comparable Transactions to be fair and representative.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Deposit Services

Pursuant to the 2024 Everbright Group Financial Products and Services Framework Agreement, the pricing of the Deposit Services is determined with reference to the market interest rates for similar deposits with the same term in the domestic financial industry, and the applicable interest rates are not lower than those collected from other financial institutions for deposits with the same maturity and type for the same period.

For our due diligence purpose, we searched over the Stock Exchange's website for the deposit services as conducted between the companies listed on the Stock Exchange and their connected persons. We noted that numerous listed companies entered into such continuing connected transactions with financial institutions (being connected persons of the listed companies). As a result, we only reviewed transactions with agreements in relation to the deposit services entered into from 24 October 2024 to the Announcement Date (being the last one week immediately prior to and including the Announcement Date). As there were six transactions (i.e. the announcements of (i) Zhuzhou CRRC Times Electric Co., Ltd. (3898 & SH688187) dated 30 October 2024, (ii) COSCO SHIPPING Energy Transportation Co., Ltd. (1138 & SH600026) dated 30 October 2024, (iii) Maanshan Iron & Steel Company Limited (323 & SH600808) dated 30 October 2024, (iv) China Foods Limited (506) dated 28 October 2024, (v) Angang Steel Company Limited (347 & SZ000898) dated 24 October 2024, and (vi) Beijing Digital Telecom Co., Ltd. (6188) dated 24 October 2024) which met the aforesaid criteria, we consider that the sampled transactions are sufficient for our analyses purposes. We noted that the comparison of interest rate offered by other financial institutions for comparable deposits for the same period is a common factor for determination of interest rate of deposit services offered by financial institutions (being connected persons of the listed companies). Therefore, we are of the view that the pricing basis for the Deposit Services are fair and reasonable.

Pricing approval and supervision

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

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We understood from the Directors that (i) the Group established internal guidelines and policies for conducting transactions of different types of securities and financial products; (ii) the Group will generally refer to the pricing provided by two or more independent third parties for similar services to determine whether the prices and terms offered by Members of Everbright Group are fair and reasonable; and (iii) the Group established the Related Party/Connected Transactions Working Group in 2016, which is responsible for the daily management of the Group's related party/connected transactions. We consider that (i) the internal control procedures are sufficient for the Company to monitor the Securities and Financial Products Transactions and the Deposit Services; and (ii) the effective implementation of such procedures would help to ensure fair pricing of the transactions contemplated under the Securities and Financial Products Transactions and the Deposit Services according to the pricing policies.

We requested the Company to provide supporting documents for individual transactions with following criteria: the transactions as shown in such documents took place in the period from 1 January 2022 to 30 June 2024 (the “**Sampling Period**”) and included all types of transaction under the Transactions. Upon our request, the Company provided us with over 100 documents (which was randomly collected (save for our request on transaction type and date) and includes all types of transactions under the Transactions, together with their respective supporting documents including system trading screenshots, trade application forms, trade confirmations, internal approval documents, relevant executed agreements, bank statements, etc.) for the Transactions for the Sampling Period (the “**Supporting Documents**”).

After reviewing available information as contained in the Supporting Documents, we noted that relevant Transactions were conducted in line with respective pricing bases. Therefore, we consider that the Supporting Documents covering the historical periods of the Transactions to be sufficient from the independent financial adviser's perspective.

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

Having considered our work done as mentioned above (including our discussion with relevant parties), we do not doubt the effectiveness of the internal approval and monitoring procedure for the Securities and Financial Products Transactions and Deposit Services.

Furthermore, we noted that the Related Party/Connected Transactions Working Group collects data from the relevant business departments and the Company's subsidiaries and reviews the actual transaction amounts of the Securities and Financial Products Transactions on a regular or ad hoc basis to ensure that the annual caps would not be exceeded, and reminds the business departments and the Company's subsidiaries to supervise and control such connected transactions. We consider that such measure is sufficient to monitor the utilisation of proposed annual caps of the Securities and Financial Products Transactions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In addition, we also noted that the Company has also implemented internal control measures to mitigate the risk of asset concentration in specific Securities and Financial Products. The Company has systems in place to monitor its debt and equity transactions, and to control the amount subscribed to a single product, either automatically or manually, to ensure that it does not exceed 5% of the total assets of the Company as set out in its latest published consolidated financial statements, thereby maintaining the diversification of the investment portfolio. In addition, the Company has set credit limits for certain Members of Everbright Group. These limits are determined based on a thorough assessment of the relevant counterparty's creditworthiness including its shareholding structure, business operations and financial condition, as well as and the Company's overall risk management strategy. By imposing these limits, the Company ensures that its exposure to any single counterparty remains within acceptable risk parameters, further contributing to the diversification and stability of its investment portfolio. Given the aforesaid, in particular there is restriction on size of single product under the Securities and Financial Products Transactions, and that the actual use of proposed annual caps of the Securities and Financial Products Transactions will be accumulative amounts of each individual transaction under the Securities and Financial Products Transactions, we consider that the risk of asset concentration in specific Securities and Financial Products will be mitigated.

Proposed annual caps

A. *Securities and Financial Products Transactions*

Set out below are the (i) actual historical transaction amount of the Securities and Financial Products Transactions for the two years ended 31 December 2023 and six months ended 30 June 2024, with existing annual caps; and (ii) the proposed annual caps for the three years ending 31 December 2027 (the “**Financial Products Annual Cap(s)**”):

	For the year ended 31 December 2022 (“FY2022”) RMB'million	For the year ended 31 December 2023 (“FY2023”) RMB'million	For the year ending 31 December 2024 (“FY2024”) RMB'million
Securities and Financial Products Transactions – In (Note 1)			
Actual historical amount	272,733	82,708	25,797 (Note 3)
Existing annual caps	560,000	670,000	804,000
Utilisation rate	48.7%	12.3%	N/A

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	For the year ended 31 December 2022 ("FY2022") RMB'million	For the year ended 31 December 2023 ("FY2023") RMB'million	For the year ending 31 December 2024 ("FY2024") RMB'million
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Securities and Financial

Products Transactions –

Out (Note 2)

Actual historical amount	288,673	109,376	25,824 (Note 3)
Existing annual caps	560,000	670,000	804,000
Utilisation rate	51.5%	16.3%	N/A

	For the year ending 31 December 2025 ("FY2025") RMB'million	For the year ending 31 December 2026 ("FY2026") RMB'million	For the year ending 31 December 2027 ("FY2027") RMB'million
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Securities and Financial

Products Transactions

In ^(Note 1)	380,000	440,000	510,000
Out ^(Note 2)	370,000	420,000	490,000

Notes:

- (1) "In" means the total cash inflow to the Group arising from sale of fixed income products and equity related products, interest received from derivative products associated with fixed income products, and through borrowing/repurchase from financing transactions.
- (2) "Out" means the total cash outflow from the Group arising from purchase of fixed income products and equity related products, interest paid for derivative products associated with fixed income products, and through lending/reverse repurchase from financing transactions.
- (3) The figures were for the six months ended 30 June 2024.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the above table, the utilisation rates of existing Financial Products Annual Caps for the two years ended 31 December 2023 for both cash inflow and cash outflow were not at high levels. As advised by the Directors, inflow and outflow regarding the sale and purchase of Securities and Financial Products are highly dependent on market sentiment and conditions and the Group generally could not control the counterparties of transactions due to the majority of the securities and financial products transactions are conducted through intermediate system(s). In particular, the historical amounts of Securities and Financial Products Transactions for FY2023 were substantially lower than those of FY2022, which was mainly due to the substantial decrease in the inter-bank lending and repurchase business with Members of Everbright Group as the result of their internal strategic adjustments due to their internal requirement.

Given the abovementioned low utilisation rates, the Financial Products Annual Caps for the three years ending 31 December 2027 for both inflow and outflow were substantially lower than the existing annual caps for the three years ending 31 December 2024. Details of the bases for the determination of Financial Products Annual Caps for the three years ending 31 December 2027 are set out under the sub-section headed “A.5 Proposed Annual Caps” under the section headed “II. 2024 Everbright Group Financial Products and Services Framework Agreement” of the Board Letter.

To assess the fairness and reasonableness of the Financial Products Annual Caps for the three years ending 31 December 2027, we requested and obtained the calculation of the Financial Products Annual Caps for the three years ending 31 December 2027. According to the calculation, the Financial Products Annual Caps for the three years ending 31 December 2027 were determined with reference to (a) the estimated amounts of Securities and Financial Products Transactions for the three years ending 31 December 2027; and (b) buffers of 5% adopted in addition to (a).

The Directors further provided us calculations of the estimated amounts of Securities and Financial Products Transactions for the three years ending 31 December 2027.

I. Securities and Financial Products Transactions (inflow)

FY2025

According to the calculation, the sum of estimated amounts of (i) the inter-bank lending and repurchase business; (ii) the asset management business; (iii) futures trading transactions; and (iv) the bond transactions accounted for approximately 98% of the total estimated amount of the Securities and Financial Products Transactions (inflow) for FY2025.

- **Estimated amounts of the inter-bank lending and repurchase business:** we noticed that the estimated amounts from the inter-bank lending and repurchase business was RMB125,000 million, accounting for approximately 35% of the total estimated amount of the Securities and Financial Products Transactions (inflow) for FY2025.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The historical amounts of the inter-bank lending and repurchase business (inflow) for FY2022 and FY2023 were approximately RMB207,000 million and RMB35,000 million respectively. As advised by the Directors, the aforesaid substantial decrease in the inter-bank lending and repurchase business was mainly due to Members of Everbright Group's internal strategic adjustments due to their internal requirement.

Given that (i) based on the preliminary discussion among the Group and Members of Everbright Group, the aforesaid internal strategic adjustments of Members of Everbright Group were (a) accidental and unexpected (no similar circumstances existed between 2019 to 2022); and (b) expected to be no longer exist during the term of the 2024 Everbright Group Financial Products and Services Framework Agreement; (ii) historical amounts of the inter-bank lending and repurchase business (inflow) moved in a general increasing trend from 2019 to 2022; and (iii) historical amounts of the inter-bank lending and repurchase business (inflow) for 2023 was extremely lower than those from 2019 to 2022, which reflected results of (i)(a), we consider the historical amounts for FY2023 to be an outlier data. Accordingly, we conducted following analyses on the estimated amounts of the inter-bank lending and repurchase business by reference to relevant historical amounts from 2019 to 2022.

Based on the historical amounts of this business segment with Members of Everbright Group, the average historical amounts from 2019 to 2022 (being a mid-term period) was approximately RMB135,000 million, with an annual compounded growth rate (CAGR) of approximately 28%. As the average historical amounts of RMB135,000 million reflects the average amounts for recent years, it is reasonable for us to analyse the estimated amounts from the inter-bank lending and repurchase business for FY2025 by reference to the average historical amounts of RMB135,000 million.

Based on the above, we are of the view that the estimated amounts from the inter-bank lending and repurchase business of RMB125,000 million, which was close to the historical average amounts (i.e. RMB135,000 million), for FY2025 is fair and reasonable.

- **Estimated amounts from asset management business:** we noticed that the estimated amounts from asset management business was RMB130,000 million, accounting for approximately 36% of the total estimated amount of the Securities and Financial Products Transactions (inflow) for FY2025.

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With reference to the Board Letter, as of the end of 2023, the existing scale of the asset management business of Everbright Asset Management was RMB300.291 billion, of which a significant portion was entrusted assets from Members of Everbright Group. Upon our further request, the Directors advised us the scale of the asset management business of Everbright Asset Management with Members of Everbright Group as of the end of 2023.

As advised by the Directors, the scale of the entrusted assets from Members of Everbright Group was mainly subject to the decision made by Members of Everbright Group. There is possibility that Members of Everbright Group redeemed all entrusted assets from Everbright Asset Management. The estimated amounts from asset management business of RMB130,000 million was therefore determined on the assumption that Members of Everbright Group maintained the same level of scale of the asset management business of Everbright Asset Management after the aforesaid event.

As the estimated amounts from asset management business of RMB130,000 million is at the same level of the scale of the asset management business of Everbright Asset Management with Members of Everbright Group which were provided to us upon our request as mentioned above, we consider the estimated amounts from asset management business of RMB130,000 million for FY2025 to be fair and reasonable.

- **Estimated amounts of futures trading transactions:** we noticed that the estimated amounts from the futures trading transactions was RMB73,700 million, accounting for approximately 20% of the total estimated amount of the Securities and Financial Products Transactions (inflow) for FY2025.

As advised by the Directors, the Group will continue to strengthen its asset management product investment, custody, and proxy sale business with Members of Everbright Group through Everbright Futures in next years.

The historical amounts of futures trading transactions with Members of Everbright Group moved in an increasing trend from 2021 to 2023 with incremental amounts of approximately RMB10,100 million from 2021 to 2022 and approximately RMB18,900 million from 2022 to 2023. On the assumption that the estimated amounts of futures trading transactions being in line with historical movements (from 2021 to 2023) and based on the estimated amounts of futures trading transactions with Members of Everbright Group for FY2024 (i.e. RMB56,600 million, calculated by historical amounts of futures trading transaction with Members of Everbright Group for FY2023 (i.e. approximately RMB37,700 million) plus the incremental amounts of RMB18,900 million), the implied amounts of futures trading transactions with Everbright Group for FY2025 would be approximately RMB75,500 million (calculated by RMB56,600 million + RMB18,900 million). As the estimated amounts (i.e.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RMB73,700 million) is close to the implied amounts (i.e. RMB75,500 million), we are of the view that the estimated amounts of futures trading transactions for FY2025 are fair and reasonable.

- **Estimated amounts of bond transactions:** we noticed that the estimated amounts from the bond transactions was RMB25,000 million, accounting for approximately 7% of the total estimated amount of the Securities and Financial Products Transactions (inflow) for FY2025.

To assess the fairness of the estimated amounts of bond transactions, we were advised that the maximum transaction for per internal transaction (including bond transactions) was RMB2,000 million. In addition, we also noted that average duration of bonds (which were issued by the Members of Everbright Group in 2021 to 2024) held by the Group was approximately one month. The implied transaction amounts of bond transactions, calculating by multiplying maximum transaction for per internal transaction with 12 months (i.e. RMB24,000 million = RMB2,000 million X 12, 12 months was considered with reference to average duration of bond held by the Group and 12 months per annum), was close to (with difference of less than 5%) the estimated amounts of bond transactions (i.e. RMB25,000 million). Accordingly, we are of the view that the estimated amounts from the bond transactions was RMB25,000 million for FY2025 are fair and reasonable.

During the process of our analyses, we analysed the Financial Products Annual Cap (inflow) for FY2025 with reference to, among other things, relevant financial amounts for recent full financial years instead of first half of 2024, which was mainly due to the volatilities in the proportions of historical amount for first half year to that for the same year (full year) (ranged from approximately 34% to approximately 58% for the four years ended 31 December 2023). Therefore, we consider that our analyses based on, among other things, historical amounts for a full year will be more appropriate.

Having considered the above factors, including the sum of the estimated amounts of (i) the inter-bank lending and repurchase business; (ii) the asset management business; (iii) futures trading transactions; and (iv) the bond transactions accounted for approximately 98% of the total estimated amount of the Securities and Financial Products Transactions (inflow) for FY2025, we consider the estimated amount of the Securities and Financial Products Transactions (inflow) for FY2025 to be fair and reasonable.

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FY2026 and FY2027

The total estimated amount of the Securities and Financial Products Transactions (inflow) (i) for FY2026 represented an increase of approximately 15% (or approximately RMB56,000 million) to that for FY2025; and (ii) for FY2027 represented an increase of approximately 16% (or approximately RMB67,000 million) to that for FY2026.

The abovementioned year-on-year change in the total estimated amount of the Securities and Financial Products Transactions (inflow) were mainly due to the increases in the estimated amount of (i) the inter-bank lending and repurchase business; and (ii) the futures trading transactions for FY2026 and FY2027.

In respect of the estimated amount of the inter-bank lending and repurchase business, the estimated amount for FY2026 and FY2027 represented increases of approximately 24% and 25% as compared to those for FY2025 and FY2026 respectively. As mentioned above, the CAGR of this segment from 2019 to 2022 was approximately 28%. Furthermore, we also noted that the implied annual compounded growth rate (CAGR) of this business segment with all counterparties (including Members of Everbright Group and independent third parties) from 2019 to 2023 was approximately 32%. Therefore, we are of the view that the implied increases rates of the estimated amount of the inter-bank lending and repurchase business for FY2026 and FY2027 are fair and reasonable.

In respect of the estimated amount of the futures trading transactions, the estimated amount for FY2026 and FY2027 represented increases of approximately 24% and 20% as compared to those for FY2025 and FY2026 respectively. Based on the historical figures, we noted that the year-on-year increased amounts for FY2026 and FY2027 were close to (with difference of 5%) that for FY2023. Therefore, we are of the view that the implied increases of the estimated amount of the futures trading transactions for FY2026 and FY2027 are fair and reasonable.

Based on the above, we are of the view that the estimated amount of total estimated amounts of the Securities and Financial Products Transactions (inflow) for FY2026 and FY2027 are fair and reasonable.

II. Securities and Financial Products Transactions (outflow)

As confirmed by the Directors, after the sale of fixed income products and equity related products, interest received from derivative products associated with fixed income products, and through borrowing/repurchase from financing transactions, the Group may also purchase such fixed income products and equity related products, interest paid for derivative products associated with fixed income products and through lending/reverse repurchase from financing transactions, the inflow may become outflow. Therefore, it is reasonable for the total estimated amounts of the Securities and Financial Products Transactions (outflow) for the three years ending 31 December 2027 to be set at the same/similar amount of inflow for the same year.

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The estimated amounts of total estimated amounts of the Securities and Financial Products Transactions (outflow) for the three years ending 31 December 2027 were approximately 96% to the total estimated amounts of the Securities and Financial Products Transactions (inflow) for the corresponding years.

However, we noted that historical amounts of the Securities and Financial Products Transactions (outflow) were more than historical amounts of the Securities and Financial Products Transactions (inflow) for the two years ended 31 December 2023. Upon our request, we obtained and reviewed breakdown of the aforesaid historical amounts, categorising by (i) the inter-bank lending and repurchase business; (ii) the asset management business; (iii) futures trading transactions; and (iv) others. We further noted that, for the two years ended 31 December 2023, (a) the summation of the aforesaid (i) to (iii) accounted for over 90% of the historical amounts of the Securities and Financial Products Transactions; (b) historical amounts (inflow) from the inter-bank lending and repurchase businesses approximately equals to its historical amounts (outflow); (c) historical amounts (inflow) from the asset management business were less than its historical amounts (outflow); and (d) historical amounts (inflow) from the futures trading transactions were more than its historical amounts (outflow).

As advised by the Directors, the change of historical amounts of asset management business was mainly due to change of existing scale of asset under managements. Given that the estimated amounts from asset management business of RMB130,000 million was determined on the assumption that Members of Everbright Group maintained the same level of scale of the asset management business of Everbright Asset Management after Members of Everbright Group redeemed all entrusted assets from Everbright Asset Management, the estimated amounts from asset management business were therefore the same for both inflow and outflow for the three years ending 31 December 2027.

The difference of total estimated outflow amounts and total estimated inflow amounts for the three years ending 31 December 2027 was mainly due to the fact that the estimated outflow amounts of futures trading transactions account for approximately 80% to 81% to total estimated inflow amounts of futures trading transactions. For our due diligence purpose, we compared historical inflow and outflow amounts of futures trading transactions for (i) FY2023; and (ii) three years ended 31 December 2023 and noted that (average) historical outflow amounts of futures trading transactions accounted for (i) approximately 84% for FY2023; and (ii) approximately 76% for the three years ended 31 December 2023. In addition, the historical outflow amounts of futures trading transactions for each of the three years ended 31 December 2023 were less than the historical inflow amounts of futures trading transactions for the corresponding period. We noted that the proportion of the estimated outflow amounts and inflow amounts for the three years ending 31 December 2027 was close to (with difference of less than 5 percentage points) the (average) proportions of historical outflow and inflow amounts of futures trading transactions for (i) FY2023; and (ii) for the three years ended 31 December 2023.

Based on the above, we are of the view that the total estimated amounts of the Securities and Financial Products Transactions (outflow) for the three years ending 31 December 2027 are fair and reasonable.

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III. Buffer

As mentioned above, the Company applied a buffer of 5% to the total estimated amounts of the Securities and Financial Products Transactions for the three years ending 31 December 2027. We understood that the buffer was applied for any unforeseeable circumstances such as the unexpected increase in demand of products or redemption of products.

To assess the fairness and reasonableness of the buffer of approximately 5%, we searched for circulars regarding continuing connected transactions published by other Hong Kong listed companies during the period from 1 October 2024 to the Announcement Date. We noted that, out of the eight circulars published by other Hong Kong listed companies which incorporated buffer in their proposed annual caps regarding continuing connected transactions (i.e. the circulars published by (i) COSCO SHIPPING Development Co., Ltd. (2866 & SH601866) on 9 October 2024; (ii) Capital Industrial Financial Services Group Limited (730) on 9 October 2024; (iii) China Display Optoelectronics Technology Holdings Limited (334) on 14 October 2024; (iv) Sinopec Oilfield Service Corporation (1033 & SH600871) on 18 October 2024; (v) VPower Group International Holdings Limited (1608) on 18 October 2024; (vi) LISI GROUP (HOLDINGS) LIMITED (526) on 24 October 2024; (vii) Able Engineering Holdings Limited (1627) on 25 October 2024; and (viii) Weichai Power Co., Ltd. (2338 & SZ000338) on 31 October 2024, all of which are related to continuing connected transactions), six incorporated buffer ranging from 5% to 10% in their proposed annual caps regarding continuing connected transactions and explicitly disclosed in such circulars.

Based on the above, we consider incorporation of buffer of 5% in the proposed annual caps is in line with market practice and therefore is justifiable.

IV. Our conclusion on the Financial Products Annual Caps

Having considered the above, in particular, (i) total estimated amounts of the Securities and Financial Products Transactions (both inflow and outflow) for the three years ending 31 December 2027 are fair and reasonable; and (ii) the buffer of 5% is justifiable, we are of the view that the Financial Products Annual Caps (inflow) and Financial Products Annual Caps (outflow) for the three years ending 31 December 2027 are fair and reasonable.

Shareholders should note that as the Financial Products Annual Caps for the three years ending 31 December 2027 are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2027, and they do not represent forecasts of revenue/income/cost to be incurred from the Securities and Financial Products Transactions. Consequently, we express no opinion as to how closely the actual revenue/income/cost to be incurred from the Securities and Financial Products Transactions will correspond with the Financial Products Annual Caps.

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B. Deposit Services

As stated in the Board Letter, in its ordinary and usual course of business, the Group deposits its proprietary funds and customer funds with Everbright Bank (a connected person of the Company). The Group has applied for a waiver from the Hong Kong Stock Exchange in relation to setting a maximum daily deposit balance cap on the Group's proprietary funds and customer funds to be placed with Everbright Bank, and the Hong Kong Stock Exchange has granted the Company a waiver from strict compliance with the maximum daily balance requirements set out in Rule 14A.53 of the Hong Kong Listing Rules. Grounds for the waiver application are set out in the section headed "C. Waiver Application" of the Board Letter.

Based on the above, there will be no maximum daily deposit balance caps on the Group's proprietary funds and customer funds to be placed with Everbright Bank.

Our conclusion on terms of the Transactions

Having considered the principal terms of the Transactions as set out above, we consider that the terms of the Transactions (including the pricing policies and proposed annual caps (as the case may be)) are on normal commercial terms and are fair and reasonable.

Hong Kong Listing Rules implication

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Hong Kong Listing Rules pursuant to which (i) the values of the transactions under the 2024 Everbright Group Financial Products and Services Framework Agreement must be restricted by their relevant annual caps for the period concerned under the 2024 Everbright Group Financial Products and Services Framework Agreement; (ii) the terms of the transactions under the 2024 Everbright Group Financial Products and Services Framework Agreement must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the transactions contemplated under the 2024 Everbright Group Financial Products and Services Framework Agreement must be included in the Company's subsequent published annual reports.

Furthermore, it is also required by the Hong Kong Listing Rules that the auditors of the Company must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the transactions contemplated under the 2024 Everbright Group Financial Products and Services Framework Agreement (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the listed issuer's group if the transactions involve the provision of goods or services by the listed issuer's group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the annual caps.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In the event that the total amounts of the transactions contemplated under the 2024 Everbright Group Financial Products and Services Framework Agreement are anticipated to exceed the annual caps, or that there are any proposed material amendment to the terms of the 2024 Everbright Group Financial Products and Services Framework Agreement, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Hong Kong Listing Rules governing continuing connected transactions.

Given that (i) the above stipulated requirements for continuing connected transactions pursuant to the Hong Kong Listing Rules which requires the annually review by the Company's independent non-executive Directors and auditors in different aspects (e.g. review on terms and transaction amounts of the Transactions); and (ii) as mentioned above, there are adequate measures in place to ensure the pricing policy of the Transactions to be fair and reasonable (we do not doubt the effectiveness of the implementation of the internal control measures), we are of the view that there are adequate measures in place to monitor the Transactions and thus the interest of the independent Shareholders would be safeguarded.

RECOMMENDATION

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

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

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has around 30 years of experience in investment banking industry.

NOTICE OF EGM



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 2024 SECOND EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2024 second extraordinary general meeting (the “EGM”) of Everbright Securities Company Limited (the “**Company**”) will be held at 2:30 p.m. on Tuesday, December 24, 2024 at Jing'an International Plaza, No. 1508 Xinzha Road, Jing'an District, Shanghai, the PRC, to consider and, if thought fit, approve the following resolution.

ORDINARY RESOLUTION

1. To consider and approve the Resolution Regarding Entering into of the Framework Agreement on Ordinary Related Party (Connected) Transactions with China Everbright Group Ltd.

By order of the Board
Everbright Securities Company Limited
Zhao Ling
Chairman

Shanghai, the PRC
December 2, 2024

As at the date of this notice, the board of directors of the Company comprises Mr. Zhao Ling (Chairman, Executive Director), Mr. Liu Qiuming (Executive Director, President), Ms. Ma Rentao (Non-executive Director), Mr. Lian Yalin (Non-executive Director), Ms. Wang Yun (Non-executive Director), Mr. Yin Yanwu (Non-executive Director), Mr. Xie Song (Non-executive Director), Mr. Qin Xiaozheng (Non-executive Director), Mr. Ren Yongping (Independent Non-executive Director), Mr. Yin Junming (Independent Non-executive Director), Mr. Lau Ying Pan (Independent Non-executive Director), Ms. Chen Xuanjuan (Independent Non-executive Director) and Mr. Lv Suiqi (Independent Non-executive Director).

NOTICE OF EGM

Notes:

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

The H Share register of members of the Company will be closed for the purpose of determining H Shareholders' entitlement to attend the EGM from Tuesday, December 17, 2024 to Tuesday, December 24, 2024 (both days inclusive), during which period no transfer of H Shares will be registered. In order to attend the EGM, H Shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Monday, December 16, 2024 to complete registration.

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

2. Proxy

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

To be valid, for H Shareholders, the form of proxy or other documents of authorization must be delivered to Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 24 hours before the time fixed for the EGM (i.e. 2:30 p.m. on Monday, December 23, 2024). The form of proxy for use at the EGM will be published on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the website of the Company (www.ebscn.com).

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

3. Registration Procedures for Attending the EGM

A Shareholder or his/her proxy should produce proof of identity when attending the EGM. If a Shareholder is a legal person, its legal representative or other person authorized by the board of directors or other decision-making body of such Shareholder may attend the EGM by producing a copy of the resolution of the board of directors or other decision-making body of such Shareholder appointing such person to attend the meeting.

4. Voting by Poll

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

5. Arrangements for Adverse Weather and Other Force Majeure

The EGM may be adjourned to a later date and/or time or cancelled (at the discretion of the Company) if it is not practicable to convene the EGM due to adverse weather and other special reasons such as force majeure. The Company will publish an announcement on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.ebscn.com) to explain the postponement or cancellation of the EGM (provided that the failure of the Company to publish the announcement in time for any reason shall not affect the decision of the Company to postpone or cancel the convening of the EGM). Shareholders may also contact the H share registrar or the Company's Board office for enquiries.

NOTICE OF EGM

6. 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) Except for the arrangements for the Company to conduct online voting for A Shareholders during the designated time on the day of the EGM in accordance with the relevant provisions of the Shanghai Stock Exchange and the articles of association of the Company, as well as the Rules of Procedure for General Meetings, the EGM shall be a physical meeting (on-site meeting) at which H Shareholders of the Company are required to attend in person or by proxy as required by Note 2 to this notice. The duration of the EGM is expected not to exceed half a day. All Shareholders who attend the EGM 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, Wan Chai, Hong Kong (Telephone: (852) 2862 8555, Fax: (852) 2865 0990).
- (4) The address 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).

1. RESPONSIBILITY STATEMENT

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

2. EXPERT AND CONSENT

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

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

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

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

As of the Latest Practicable Date, the above expert did not have interest in any assets which have been acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group since December 31, 2023, being the publication date of the latest announced audited annual financial statements of the Group.

3. NO MATERIAL ADVERSE CHANGE

As of the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial and operating conditions of the Group since December 31, 2023, being the publication date of the latest announced audited annual financial statements of the Group.

4. SERVICE CONTRACTS WITH DIRECTORS AND SUPERVISORS

The Company has entered into “Service Contracts with Directors” with 13 Directors of the Seventh Session of the Board of Directors and “Service Contracts with Supervisors” with 9 Supervisors of the Seventh Session of the Supervisory Committee. The term of office of the Directors and the Supervisors is from the date of approval of the resolution by the general meeting to the date of expiry of the term of the Seventh Session of the Board of Directors and the Seventh Session of the Supervisory Committee, respectively. The “Service Contracts with Directors” and the “Service Contracts with Supervisors” set out the agreed terms regarding the responsibilities within the terms and the terms of office of the Directors and the Supervisors.

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

5. DIRECTORS’ AND SUPERVISORS’ INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

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

6. DIRECTORS' AND SUPERVISORS' EMPLOYMENT WITH SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the following Directors were also employees of substantial Shareholders which had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

<u>Name of Director</u>	<u>Name of substantial Shareholder of the Company</u>	<u>Positions in substantial Shareholder of the Company</u>
Ms. Ma Rentao	China Everbright Group Ltd.	Vice general manager of the investment and restructuring department
Mr. Lian Yalin	China Everbright Group Ltd.	Vice general manager of the audit department/audit center
Ms. Wang Yun	China Everbright Limited	Executive director and vice president
Mr. Yin Yanwu	China Everbright Limited	Executive director, vice president, a member of the management decision committee

As at the Latest Practicable Date, the following Supervisors of the Company were also employees of substantial Shareholders which had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

<u>Name of Supervisor</u>	<u>Name of substantial Shareholder of the Company</u>	<u>Positions in substantial Shareholder of the Company</u>
Mr. Zhou Huajian	China Everbright Group Ltd.	Expert of the audit department/audit center
Mr. Ye Shengli	China Everbright Limited	Director and head of the risk management and legal compliance department

7. DIRECTORS' AND SUPERVISORS' INTERESTS IN ASSETS OR CONTRACTS OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors or the Supervisors had any direct or indirect interest in any asset which had been, since December 31, 2023, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group.

As at the Latest Practicable Date, none of the Directors or Supervisors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

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

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

9. MATERIAL LITIGATION

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

10. DOCUMENTS ON DISPLAY

A copy of the 2024 Everbright Group Financial Products and Services Framework Agreement will be published on the Hong Kong Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.ebscn.com) for a period of 14 days from the date of this circular.