
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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Everbright Securities Company Limited

光大證券股份有限公司

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

(Stock code: 6178)

- (1) 2018 Report of the Board of Directors**
- (2) 2018 Report of the Supervisory Committee**
- (3) 2018 Annual Report and its summary**
- (4) 2018 Profit Distribution Plan**
- (5) Proposal of Expected Ordinary Related Party/Connected Transactions in 2019**
- (6) Proposal of Proprietary Trading Businesses Scale in 2019**
- (7) Independent Directors' Annual Work Report for 2018 (Non-voting matter) and**
- (8) Notice of the 2018 AGM**

The 2018 Annual General Meeting ("AGM") of Everbright Securities Company Limited (the "**Company**") will be held at 2:30 p.m. on Tuesday, May 28, 2019 at Jing'an International Plaza, No. 1508 Xinzha Road, Jing'an District, Shanghai, the PRC. A notice convening the AGM is set out on Page 7 to 10 of this circular.

Whether or not you are able to attend the AGM, you are advised to read the notice of the AGM and to complete and return the proxy form that has been despatched to you in accordance with the instructions printed thereon as soon as practicable. For H Shareholders, the proxy form or any other authorization documents should be returned to the Company's H share registrar, Computershare Hong Kong Investor Services Limited, whereas A Shareholders should return the proxy form to the Company's Board office, in person or by post no later than 24 hours before the time appointed for convening the AGM (i.e., 2:30 p.m. on Monday, May 27, 2019) or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting at the AGM or at any adjourned meeting if you so wish.

If you intend to attend the AGM in person or by proxy, you are required to complete and return the reply slip to Computershare Hong Kong Investor Services Limited (for H Shareholders) on or before Wednesday, May 8, 2019.

April 25, 2019

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DEFINITIONS

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

“A Shareholders”	holders of A Shares
“A Shares”	domestic shares of the Company with a nominal value of RMB1.00 each, which are listed on the SSE and traded in RMB
“AGM”	the 2018 annual general meeting of the Company to be held at 2:30 p.m. on Tuesday, May 28, 2019
“Articles of Association”	the articles of association of the Company
“AUM”	asset under management
“Board” or “Board of Directors”	the board of Directors of the Company
“Company Law”	the Company Law of the People’s Republic of China
“Company” or “our Company” or “Everbright Securities” or “Parent”	Everbright Securities Company Limited (光大證券股份有限公司), a joint stock company incorporated in the PRC with limited liability and whose H Shares and A Shares are listed on the main board of the Stock Exchange (stock code: 6178) and the SSE (stock code: 601788), respectively
“CSRC”	China Securities Regulatory Commission
“Directors”	the directors of the Company
“EBSHK”	Everbright Securities Financial Holdings Limited, a wholly-owned subsidiary of the Company
“ESIL”	Everbright Securities (International) Limited, a wholly-owned subsidiary of EBSHK
“Everbright Asset Management”	Shanghai Everbright Securities Asset Management Co., Ltd., a wholly-owned subsidiary of the Company
“Everbright Capital”	Everbright Capital Investment Co., Ltd., a wholly-owned subsidiary of the Company

DEFINITIONS

“Everbright Fortune”	Everbright Fortune Investment Co., Ltd., a wholly-owned subsidiary of the Company
“Everbright Futures”	Everbright Futures Co., Ltd., a wholly-owned subsidiary of the Company
“Everbright Leasing”	Everbright Fortune International Leasing Co., Ltd., a subsidiary of the Company
“H Shareholders”	holders of H Shares
“H Shares”	ordinary shares of the Company with a nominal value of RMB1.00 each, which are issued outside the PRC, listed on the Stock Exchange and traded in Hong Kong Dollars (stock code: 6178)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HKD”	the lawful currency of Hong Kong
“Independent Director” or “Independent Non-executive Director”	independent non-executive director of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“NEEQ”	National Equities Exchange and Quotations
“PPP”	Public-private Partnership
“Renminbi” or “RMB”	the lawful currency of the PRC
“Reporting Period”	the year of 2018 (January 1, 2018 to December 31, 2018)
“Securities Law”	Securities Law of the People’s Republic of China
“Shareholders”	shareholders of the Company, including A Shareholders and H Shareholders
“Shares”	shares of the Company, including A Shares and H Shares
“SSE”	Shanghai Stock Exchange

DEFINITIONS

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

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

LETTER FROM THE BOARD



Everbright Securities Company Limited

光大證券股份有限公司

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

(Stock code: 6178)

Mr. Xue Feng (*Chairman, Executive Director*)

Mr. Yan Jun (*Vice-chairman-elect, Executive Director*)

Mr. Ju Hao (*Non-executive Director*)

Mr. Song Bingfang (*Non-executive Director*)

Mr. Yin Lianchen (*Non-executive Director*)

Mr. Chan Ming Kin (*Non-executive Director*)

Mr. Xue Keqing (*Non-executive Director*)

Mr. Meng Xiangkai (*Non-executive Director*)

Mr. Xu Jingchang (*Independent Non-executive Director*)

Mr. Xiong Yan (*Independent Non-executive Director*)

Mr. Li Zheping (*Independent Non-executive Director*)

Mr. Au Sing Kun (*Independent Non-executive Director*)

Mr. Wang Yong (*Independent Non-executive Director*)

Registered office and

principal place of

business in the PRC:

No. 1508, Xinzha Road,
Jing'an District, Shanghai,
the PRC

Place of business in Hong Kong:

24/F, Lee Garden One,
33 Hysan Avenue,
Causeway Bay,
Hong Kong

April 25, 2019

To the Shareholders

Dear Sir or Madam,

(1) 2018 Report of the Board of Directors

(2) 2018 Report of the Supervisory Committee

(3) 2018 Annual Report and its summary

(4) 2018 Profit Distribution Plan

(5) Proposal of Expected Ordinary Related Party/Connected Transactions in 2019

(6) Proposal of Proprietary Trading Businesses Scale in 2019

(7) Independent Directors' Annual Work Report for 2018 (Non-voting matter) and

(8) Notice of the 2018 AGM

I. INTRODUCTION

On behalf of the Board, I would like to invite you to attend the AGM to be held at 2:30 p.m. on Tuesday, May 28, 2019 at Jing'an International Plaza, No. 1508 Xinzha Road, Jing'an District, Shanghai, the PRC. The purpose of this circular is to give you notice of the AGM and to provide you with information reasonably necessary to enable you to make an informed decision on whether to vote for or against the resolutions to be proposed at the AGM.

LETTER FROM THE BOARD

II. BUSINESSES TO BE CONSIDERED AT THE AGM

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

The proposals to be presented as ordinary resolutions for considering and approval at the AGM include: (1) 2018 Report of the Board of Directors; (2) 2018 Report of the Supervisory Committee; (3) 2018 Annual Report and its summary; (4) 2018 Profit Distribution Plan; (5) Proposal of Expected Ordinary Related Party/Connected Transactions in 2019; (6) Proposal of Proprietary Trading Businesses Scale in 2019.

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

Independent Directors' Annual Work Report for 2018 will be presented at the AGM, but no Shareholders' approval is required. To provide detailed information to Shareholders, the report is set out in Appendix II to this circular for the inspection by the Shareholders.

III. AGM

The AGM will be held at 2:30 p.m. on Tuesday, May 28, 2019 at Jing'an International Plaza, No. 1508 Xinzha Road, Jing'an District, Shanghai, the PRC, to consider and, if thought fit, approve the proposals mentioned above. The notice of AGM is set out on Page 7 to 10 of this circular.

A form of proxy for use at the AGM has been dispatched to you. Whether or not you are able to attend the AGM, you are advised to read the notice of AGM and to complete and return the proxy form that has been dispatched to you in accordance with the instructions printed thereon as soon as practicable. For H Shareholders, the proxy form or any other authorization documents should be returned to the Company's H share registrar, Computershare Hong Kong Investor Services Limited, whereas A Shareholders should return the proxy form to the Company's Board office, in person or by post no later than 24 hours before the time appointed for convening the AGM (i.e., 2:30 p.m. on Monday, May 27, 2019) or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting at the AGM or at any adjourned meeting if you so wish.

If you intend to attend the AGM in person or by proxy, you are required to return the completed and signed reply slip to the Company's H share registrar, Computershare Hong Kong Investor Services Limited (for H Shareholders), or to the Company's Board office (for A Shareholders), on or before Wednesday, May 8, 2019 in person, by mail or by fax.

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

LETTER FROM THE BOARD

IV. VOTING BY POLL

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

V. RECOMMENDATION

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

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

Shanghai, the PRC

NOTICE OF AGM



Everbright Securities Company Limited

光大證券股份有限公司

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

(Stock code: 6178)

Notice of 2018 Annual General Meeting

NOTICE IS HEREBY GIVEN that the 2018 annual general meeting (the “AGM”) of Everbright Securities Company Limited (the “Company”) will be held at 2:30 p.m. on Tuesday, May 28, 2019 at Jing'an International Plaza, No. 1508 Xinzha Road, Jing'an District, Shanghai, the PRC, to consider and, if thought fit, approve the following resolutions.

Ordinary Resolutions

1. To consider and approve the 2018 Report of the Board of Directors.
2. To consider and approve the 2018 Report of the Supervisory Committee.
3. To consider and approve the 2018 Annual Report and its summary.
4. To consider and approve the 2018 Profit Distribution Plan.
5. To consider and approve the Proposal of Expected Ordinary Related Party/Connected Transactions in 2019.
6. To consider and approve the Proposal of Proprietary Trading Businesses Scale in 2019.

To Hear the Relevant Report

7. To hear the Independent Directors' Annual Work Report for 2018.

Yours faithfully

By order of the Board

Everbright Securities Company Limited

Yan Jun

Executive Director

Shanghai, the PRC

March 28, 2019

NOTICE OF AGM

As at the date of this notice, the Board of the Company comprises Mr. Xue Feng (Chairman, Executive Director), Mr. Yan Jun (Vice-chairman-elect, Executive Director), Mr. Ju Hao (Non-executive Director), Mr. Song Bingfang (Non-executive Director), Mr. Yin Lianchen (Non-executive Director), Mr. Chan Ming Kin (Non-executive Director), Mr. Xue Keqing (Non-executive Director), Mr. Meng Xiangkai (Non-executive Director), Mr. Xu Jingchang (Independent Non-executive Director), Mr. Xiong Yan (Independent Non-executive Director), Mr. Li Zheping (Independent Non-executive Director), Mr. Au Sing Kun (Independent Non-executive Director) and Mr. Wang Yong (Independent Non-executive Director).

Notes:

1. In accordance with the provisions of the *Rules of the Shareholders' General Meeting of Listed Companies* formulated by the China Securities Regulatory Commission, independent Directors shall present a work report at the AGM. The report will be submitted to and heard on the AGM, but Shareholders need not to make a resolution on it. The work report by independent non-executive Directors for 2018 is set out in the circular of the Company's AGM for inspection by Shareholders.

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

The H Share register of members of the Company will be closed for the purpose of determining H Shareholders' rights to attend the AGM of the Company from Sunday, April 28, 2019 to Tuesday, May 28, 2019 (both days inclusive), during which period no transfer of H Shares will be registered. In order to attend the AGM, H Shareholders should ensure that all share certificates, accompanied with transfer documents, are lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Friday, April 26, 2019 to complete registration. The H Shareholders of the Company whose names appear on the register of Computershare Hong Kong Investor Services Limited after business hours on Friday, April 26, 2019 are entitled to attend the AGM.

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

3. **Proxy**

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

To be valid, for H Shareholders, the proxy form or other documents of authorization must be delivered to Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 24 hours before the time fixed for the AGM (i.e. at 2:30 p.m. on Monday, May 27, 2019).

Upon completion and return of the proxy form, the Shareholders may still attend and vote at the AGM or at any adjourned meeting in persons.

4. **Reply Slip**

Shareholders (for H Shareholders) who intend to attend and vote at the AGM in person or by proxy are required to complete and return the attached reply slip to the Company's H share registrar on or before Wednesday, May 8, 2019. Reply slip may be sent to the Company's H share registrar, Computershare Hong Kong Investor Services Limited (located at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong) in person, by mail or by fax (for H Shareholders).

NOTICE OF AGM

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

5. Voting by Poll

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

6. Distribution of final dividend of H Shares

The Board of the Company has proposed to pay the final cash dividend of RMB1.00 (tax inclusive) for every 10 shares for the year ended December 31, 2018 to all A Shareholders and H Shareholders, which is expected to be RMB461,078,763.90 (tax inclusive) in total, on the basis of a total share capital of 4,610,787,639 A Shares and H Shares in issue as of December 31, 2018. Cash dividend is denominated and declared in RMB, and paid to A Shareholders in RMB and to H Shareholders in HKD. The actual distribution amount in HKD would be calculated at the average benchmark exchange rate of RMB against HKD published by the People's Bank of China for five business days prior to the 2018 AGM. If the Company's proposal of the proposed profit distribution of 2018 is approved by the AGM, the cash dividend will be distributed within two months from the date of the AGM.

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

7. Tax Matters

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

NOTICE OF AGM

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

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

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

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

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

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

8. Others

- (1) For joint Shareholders, a vote by a preferred joint Shareholder, whether in person or by a proxy, is to be accepted as representing the remaining joint Shareholders if the joint Shareholders present in person or by proxy are more than one. In regard thereof, the priority of the Shareholders shall be determined by the rankings of the relevant joint Shareholders in the register of members of the Company in relation to the relevant Shares.
- (2) The duration of the AGM is expected not to exceed half a day. All Shareholders who attend the AGM shall arrange for their own transportation and accommodation at their own expenses.
- (3) The address of Computershare Hong Kong Investor Services Limited is at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (Telephone: (852) 2862 8555, Fax: (852) 2865 0990).
- (4) The location of the Company's Board office is at No. 1508 Xinzha Road, Jing'an District, Shanghai, the PRC (Postcode: 200040, Telephone: (86) 21 2216 9914, Fax: (86) 21 2216 9964).

ORDINARY RESOLUTIONS**1. To consider and approve the 2018 Report of the Board of Directors**

Pursuant to the provisions of the Company Law and the Articles of Association, considering and approving the 2018 Report of the Board of Directors is the authority of the general meeting of the Company. *Rules of Shareholders' General Meeting of Listed Companies* issued by the CSRC stipulate that the Board of Directors shall report to the Shareholders on its works over the past year at the AGM.

2018 Report of the Board of Directors of Everbright Securities Company Limited was considered and approved by the Board of Directors on March 27, 2019, and is hereby presented to the AGM for consideration and approval.

The details of the above 2018 Report of the Board of Directors are set out in Annex A of this circular.

2. To consider and approve the 2018 Report of the Supervisory Committee

Pursuant to the relevant regulations and the requirements in the Articles of Association, considering and approving the 2018 Report of the Supervisory Committee is the authority of the general meeting of the Company. *Rules of Shareholders' General Meeting of Listed Companies* issued by the CSRC stipulate that the Supervisory Committee shall report to the Shareholders on its works over the past year at the AGM.

2018 Report of the Supervisory Committee of Everbright Securities Company Limited was considered and approved by the Supervisory Committee on March 26, 2019, and is hereby presented to the AGM for consideration and approval.

The details of the above 2018 Report of the Supervisory Committee are set out in Annex B of this circular.

3. To consider and approve the 2018 Annual Report and its summary

The 2018 Annual Report was considered and approved by the Board of Directors on March 27, 2019, and is hereby presented to the AGM for consideration and approval. Please refer to the 2018 Annual Report, which was published on the HKExnews website of the Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the website of the Company (<http://www.ebscn.com>) on April 24, 2019.

4. To consider and approve the 2018 Profit Distribution Plan

Pursuant to the *Proposed Profit Distribution of 2018 of Everbright Securities Company Limited* considered and approved by the Board of Directors on March 27, 2019, the proposed profit distribution of the Company for the year of 2018 is as follows:

In the year of 2018, the Company recorded consolidated net profit attributed to the shareholders of the listed company of RMB103,000,000 and the net profit attributed to the parent company amounted to RMB468,000,000. As of the end of 2018, the accumulated undistributed net profit attributed to the parent company amounted to RMB9,345,000,000.

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

1. Pursuant to Article 167 of the Company Law, 10% of the net profit should be transferred to legal reserve, being RMB47,000,000;
2. Pursuant to Article 135 of the Securities Law and relevant provisions in the document (Zhengjian Jigou No. [2007]320), 10% of the net profit should be transferred to transaction risk reserve, being RMB47,000,000;
3. Pursuant to Article 44 of the Financial Rules for Finance Enterprises and relevant provisions in the document (Zhengjian Jigou No. [2007]320), 10% of the net profit should be transferred to general risk reserve, being RMB47,000,000;

The total amount of the above is RMB140,000,000, and the profit available for distribution of the parent company of 2018 is RMB328,000,000.

Taking into account the interests of Shareholders and the long-term development of the Company, the proposed profit distribution of the Company for the year of 2018 is as follows: Based on the total capital of A Shares and H Shares of 4,610,787,639 shares as at December 31, 2018, the cash dividend of RMB1.00 (tax inclusive) for every 10 Shares, i.e. a total of RMB461,078,763.90, will be distributed to all A Shareholders and H Shareholders. Cash dividend is denominated and declared in RMB, and paid to A Shareholders in RMB and to H Shareholders in HKD. The actual distribution amount in HKD would be calculated at the average benchmark exchange rate of RMB against HKD published by People's Bank of China for five business days prior to the 2018 AGM.

According to the above profit distribution plan, the total amount of cash dividends proposed to be distributed by the Company accounts for 141% of the profit available for distribution of the parent company in the current year and 446% of consolidated net profit attributed to the Shareholders of the listed company, which complies with the requirements of the *Guidelines for Dividends of Listed Companies* and the Articles of Association.

The above proposed profit distribution of 2018 was considered and approved by the Board of Directors on March 27, 2019, and is hereby presented to the AGM for consideration and approval. If the final dividend of 2018 is approved by the Shareholders at the AGM, the Company's final dividend for the period ended December 31, 2018 will be paid in cash within two months from the date of the AGM. Meanwhile, it is also requested to authorize the Board of Directors and agree that the Board of Directors may authorize the management of the Company to handle the matters related to profit distribution accordingly at the AGM.

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

5. To consider and approve the Proposal of Expected Ordinary Related Party/Connected Transactions in 2019

It was considered and approved by the Board of Directors on March 27, 2019 and is hereby presented to the AGM for consideration and approval. Please refer to Annex C of this circular for the details of the above proposal.

6. To consider and approve the Proposal of Proprietary Trading Businesses Scale in 2019

Proprietary investment is one of the main businesses of the Company. According to the provisions of Article 7 of the CSRC's Provisions on Strengthening the Supervision of Listed Securities Companies (2010 Revision, CSRC Announcement [2010] No. 20), "if the significant external investment by a listed securities company, including the proprietary trading of securities, exceeds certain amount, it is required to be promptly disclosed and submitted to the general meeting for approval, and the listed securities company may submit it to the general meeting for consideration and approval and disclose the total proprietary investment amount every year. If the situation changes in the process of proprietary investment, the general meeting may authorize the Board of Directors to vote and publish the announcement in accordance with the provisions of Articles of Association". The Company has made analysis on the scale of 2019 proprietary investment as follows, based on the 2018 proprietary investment business development and its assessment on the 2019 market trends:

1. The maximum investment scale for proprietary trading of non-equity securities and its derivatives in 2019 is 300% of the net capital (the regulatory standard is not more than 500% of the net capital).

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

2. The maximum investment scale for proprietary trading of equity securities and its derivatives in 2019 is 60% of the net capital (the regulatory standard is not more than 100% of the net capital).

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

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

The above proposal has been considered and approved by the Board of Directors on March 27, 2019, and is hereby presented to the AGM for consideration and approval.

**2018 Report of the Board of Directors
of
Everbright Securities Company Limited¹**

In 2018, under the dual influences of the macroeconomic downturn and the deep adjustment of the capital market, the development of the securities industry was difficult. The industry showed a relatively obvious feature of stock-based competition and even decrement-based competition. Except that limited top securities firms maintained positive performance growth, most brokers' operation results showed a significant decline.

In the face of complicated and intricate external situation, the Company, under the strong leaderships of the Board, closely focused on its strategic objectives and adhered to the fundamental principle of “pursuing progress while ensuring stability”. Against the market pressures, the Company has promoted the steady development of operation and management by strengthening its advantage business, making up the shortcomings of business and promoting the reform and transformation in an orderly manner. However, under the background of a significant year-on-year decline in revenues and profits across the industry and affected by the special risk events of Everbright Capital, a subsidiary of the Company, all financial indexes of the Company in 2018 have significantly declined as compared to those of last year. The Company recorded operating revenue of RMB7.712 billion in 2018, representing a year-on-year decrease of 21.61%; and a net profit attributable to shareholders of the listed company of RMB103 million, representing a year-on-year decrease of 96.57%. Without taking into account of the influence caused by the special risk events of Everbright Capital, the net profit attributable to shareholders of the listed company amounted to RMB1.347 billion, representing a year-on-year decrease of 55.34%. In the industry, the Company ranked 11th in total assets, up by one as compared to 2017, ranked 11th in net assets, ranked 13th in operating revenue. The Company has obtained Class A rating in securities company classification rating activities for four consecutive years, and has been awarded the “Top 500 Asia Brand” and the “Top 500 China Brand” for four consecutive years. Moreover, the Company has won the “Best Domestic Investment Bank” from New Fortune continuously, and was honored as “Top 500 Best Employers of the World in 2018” by Forbes.

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

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

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

(I) Supplementing directors in the fifth session of the Board of Directors and optimizing the corporate governance structure

During the Reporting Period, the Company supplemented three directors and one independent director to the fifth session of the Board of Directors. In accordance with the relevant laws and regulations and the provisions of the Articles of Association, through a series of legal procedures, such as nomination of candidates for directors, selection by the Board of Directors, making proposals to be submitted to the general meeting of shareholders for voting, and public information disclosure, the Company has successfully completed the supplementation of above directors. The Board of Directors is a key link connecting the preceding and the following in the corporate governance system and mechanism. Supplementing directors is conducive to further promoting the stable development of the corporate governance system, optimizing and enhancing the internal management level of the Company, and giving full play to the important role of the Board of Directors in making scientific decisions on major business and management issues of the Company.

(II) Optimizing the organizational structure and promoting the coordinated development of business lines

Under the strong leadership of the Board of Directors, centering on the strategic goal of building a first-class investment bank in China, the Company continued to promote the reform and transformation of branches in an orderly manner, optimize the organizational structure and promote the coordinated development of business lines. Up to now, the Company has set up 41 new business departments to further fill the gaps in key regional branches. With the consideration and approval by the Board of Directors, the Company's organizational structure was adjusted to further improve the Company's structure. The Company also actively explored the divisional system of investment banking and reshaped the business model of investment banking.

(III) Enriching domestic and foreign financing tools to facilitate the Company's business development

The Company made comprehensive use of domestic and foreign capital market platforms and rationally used a variety of financing tools to increase the Company's financial resources and meet liquidity needs. During the Reporting Period, the Company issued 6 tranches of corporate bonds and raised RMB24.6 billion, and 1 tranche of subordinated bond and raised RMB3 billion. The Company filed for its qualification to issue commercial papers with the People's Bank of China for record, and successfully issued 2 tranches of commercial papers, raising RMB6 billion, as well as issued 3 tranches of asset-backed securities, raising RMB5.7 billion. An overseas subsidiary successfully issued US\$200 million guaranteed notes. The financial activities laid a solid foundation for the orderly development of the Company's business.

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

1. Brokerage and wealth management

The brokerage and wealth management business segment comprises securities brokerage business, wealth management business, Internet finance business and futures brokerage business. In 2018, this business segment realized revenue of RMB1.9 billion, accounting for 25% of the Group's total revenue.

(1) Securities brokerage

In 2018, the Company highlighted its return to brokerage business which is our initial principal operation, strictly adhered to the bottom line of compliance and risk control, continued to consolidate its business foundation, and continued to promote business transformation and development. The Company also established a multi-angle and wide-system customer service system by taking various measures, and strived to provide quality investment services to customers through various means such as transactions, information, products, etc., and vigorously promoted the development of basic businesses such as new accounts, new high-net-worth customers, and new customer assets. In addition, the Company deeply promoted the transformation to the direction of wealth management, expanded the scale and revenue of agency sales business; further improved the layout of key market outlets, and strengthened the offline business layout. At present, the Company has 14 branch companies and 263 securities branches, 41 of which were newly established. The market share of net income from securities trading on behalf of customers increased by 2 percentage points as compared to the end of 2017, climbing one place higher in the market ranking. Among revenue from branches, the proportion of revenue from the transformation business increased by 3.9%, and the wealth management transformation strategy has made smooth progress.

(2) Wealth management business

In 2018, with a focus on the core objective of building up a comprehensive product and service system, in an all-out effort to create a wealth management model with “quantitative management as the main approach and asset allocation among key asset classes as the core”, the wealth management business segment has built three major wealth management brands, namely “Golden Sunshine Wealth Management Plan”, “Investment Advisor Elite Program” and “Everbright Fortune Club Investor Report Meeting” by focusing on the three core tasks of content production, professional training and investment advisory service. The wealth management business segment continued to push forward the construction of the retail customer service system, covering customer classification and grading, consulting service system, financial product system, service team, service measures, service platform, service standardization, and the comprehensive development of implementation and supervision. By doing so, the Company aims to promote the transformation of branches into wealth management in an all-round way, and create more value for customers through professional services and asset allocation capabilities of investment advisors.

(3) Internet finance

In 2018, the Company improved and enriched the functions and contents of “Golden Sunshine APP”, which greatly improved the user experience and user loyalty. According to the statistics of Analysys (易觀千帆), “Golden Sunshine APP” had 1.46 million average monthly active users in 2018. “Golden Sunshine APP” also won a comprehensive score of “four-and-a-half-star” in the fourth session of APP Evaluation of Securities Firms hosted by Sina.com, which is in the forefront of the industry. “Robo-advisor Matrix (智投魔方)” has been further optimized, and has provided customers with a variety of intelligent services by launching portfolios, information, tools and other products. Based on the construction of a big data and accurate marketing platform, the Company’s Internet platforms continued to deepen the support to brokerage and wealth management business through product image, customer image, recommendation strategy and other data products services.

(4) Futures brokerage

In 2018, facing a variety of pressures, Everbright Futures actively responded and adapted to changes, vigorously improved the brokerage business level, and focused on developing innovative businesses such as asset management and risk management by breaking the bottleneck of institutional business development and trying international development routes. As a result, its overall business operation has achieved steady progress. In 2018, Everbright Futures recorded a daily average margin of RMB9.97 billion, with its trading volume representing a market share of 2.21%. As at the end of 2018, the trading volume of Everbright Futures represented 3.05%, 1.06%, 3.29%, 3.09% and 0.88% of the total trading volume of China Financial Futures Exchange, Shanghai Futures Exchange, Dalian Commodity Exchange, Zhengzhou Commodity Exchange and the Energy Center, respectively. Its cumulative trading volume of SSE 50ETF stock options for the year represented a market share of 3.83%, ranking 4th among futures companies and 8th in the whole market.

2. Credit Business

The credit business segment comprises margin financing and securities lending, collateralized stock repurchase transactions and financial leasing. In 2018, this business segment realized revenue of RMB1.7 billion, accounting for 22% of the Group’s total revenue.

(1) Margin financing and securities lending

In 2018, the Company focused on high-net-worth customers and institutional customers by taking active and effective operating measures, and achieved a steady increase of the market share in margin financing and securities lending business. The Company also comprehensively sorted out the business, consolidated the business foundation, and actively and steadily resolved and eliminated business risks. As at the end of 2018, the balance of margin financing and securities lending of the Company was

RMB22.504 billion, representing a decrease of 25.3% as compared with the end of 2017, accounting for a market share of 2.98%, representing an increase of 1.7% as compared with the end of 2017, and the Company ranked 11th in the market at the end of March in 2018 according to the latest information released by the stock exchange. As at the end of 2018, the balance of securities lending was RMB263 million, representing a market share of 3.91%, and the Company ranked 4th in the market at the end of March in 2018 according to the latest information released by the stock exchange.

(2) *Stock pledge business*

In 2018, the Company closely followed the market and the business, focused on the major shareholders and controlling shareholders of listed companies, strengthened counter-cyclical management, and continuously optimized the structure of collateralized stock repurchase business. At the same time, the Company strictly controlled the entry and quality of projects, and further improved the due diligence, quality control, post-loan management level, risk prediction and disposal capabilities, in order to reduce business risks. The risks of the collateralized stock repurchase business remained generally controllable, and the risk was lower than the industry average. As at the end of 2018, the balance of collateralized stock repurchase transactions of the Company was RMB35.670 billion, representing a decrease of 19.4% as compared with the end of 2017. In this regard, the market share was 3.06%, representing an increase of 12.5% as compared with the end of 2017. As at the end of 2018, the weighted average coverage ratio of collateralized stock repurchase transactions of the Company was 182.40%.

(3) *Financial leasing business*

In 2018, in the face of many changes such as the decline in market demand and the increase in business risks, Everbright Leasing proactively responded and adapted to challenges, persisted in professional operation, explored innovative business and practiced industry-finance integration while maintaining the steady growth in traditional financial leasing business. As a result, the Company's various businesses have been actively carried out, financing channels become more diverse, and professional transformation is effective. Focusing on the two major products of leasing and factoring, Everbright Leasing has initially achieved the "one body and two wings" layout, and has explored mature financial leasing business models such as aircraft leasing, vessel leasing, production equipment leasing, automobile leasing, medical equipment leasing, power equipment leasing as well as trade factoring, engineering factoring, etc. In 2018, Everbright Leasing completed investment in a total of 46 new projects with annual investment amount of RMB2.7 billion. Everbright Leasing cumulatively completed investments with a total investment amount of RMB12.4 billion and cumulatively generated rent of RMB6.9 billion.

3. Institutional Securities Business

The institutional securities business segment comprises investment banking, institutional trading, private placement business, investment research and proprietary trading businesses. In 2018, the institutional securities services segment realized revenue of RMB1.6 billion, accounting for 20% of the Group's total revenue.

(1) Investment banking

In 2018, facing significant changes in the external environment, the Company deepened the reform of the investment banking line, and strived to improve the line's operating efficiency, market competitiveness and ability to serve big customers. The Company expanded key regional markets for creating an investment banking ecological environment; in close line with the market situation, explored innovative businesses to serve corporate customers and develop business pipelines.

In 2018, as the Company proactively increased its business scale based on effective risk controls, the size and ranking of bond underwriting improved against the unfavorable trend. According to Wind info, in 2018, the Company completed a total of 618 bond underwriting projects, representing a year-on-year growth of 97.44% in terms of the volume. The bond underwriting amount aggregated to RMB318.080 billion, representing year-on-year growth of 58.85% and a market share of 5.63%, with a ranking at No. 5 in the market, 2 places higher than the end of last year. In the meantime, the Company continuously optimized the product structure of bond underwriting business, and by putting more efforts in developing innovative business, expanded the asset securitization business. The Company completed 125 asset securitization projects, with a underwriting size of RMB153.491 billion, representing a 2.9 times increase year-on-year and a market share of 7.81%, thus ranking No. 3 among securities firms in the market, up by 6 places from the end of last year. The Company innovatively completed the first issue of shelf corporate bonds, the first CMBN project that does not rely on entities' credit, and the first quasi-REITs project of active management across the nation. The Company won two awards, namely "Outstanding Underwriter" and "Excellent Trust Manager" given by the SSE for successive three years.

In 2018, the Company completed securities underwriting for six companies with a market share of 1.05% and ranked No. 22 in the market. The underwriting amount of equities amounted to RMB8.121 billion with a market share of 0.71%, ranking No. 25 in the market. Among them, the Company completed IPO underwriting for one company, with an underwriting amount of RMB430 million. The Company completed refinancing transactions for five companies, underwriting amount reaching RMB7.691 billion, and completed mergers and acquisitions and reorganization transactions for six companies. The Company increased its equity financing project pipelines. According to the statistics from Wind Info and the Company itself, as at the end of 2018, the Company had five approved equity related projects pending for closing; 21 lead underwriting project pending for approval, 12 of which were IPO projects, ranking No. 6 in the industry; also pending approval were three refinancing projects as well as three mergers and acquisitions or reorganization projects.

As of the end of 2018, the Company had recommended a total of 263 companies to go listed on the NEEQ as the lead sponsor, ranking 14th in the industry. There were eight companies whose shares are newly quoted on the NEEQ with the Company's recommendation, representing a total financing size of RMB1.254 billion. As of the end of 2018, the Company provided market-making and quotation services for 72 NEEQ quoted companies, 34 of which entered the innovative level.

(2) *Institutional trading*

In 2018, with the implementation of refined management, establishment of institutional customer service system, discovery of potentials of agency sales business, promotion of international business development, enrichment of proprietary fund investment and innovation of business content, the level of the Company's institutional services has improved significantly, and the ranking of research and proportions of various business have increased dramatically. In 2018, the Company achieved an internal share of 3.46% in sub-sectors of funds, representing an increase of 8.68% as compared to the previous year, the ranking achieved a historic breakthrough, stepped into the top ten and ranked 7th in the industry for the first time; the market share of net income from seat commission was 3.90%, representing an increase of 4.56% as compared to the previous year.

(3) *Private fund business*

In 2018, the Company clarified the business strategy of developing commercial banks and large private funds as its major customers, and comprehensively sorted out five key businesses such as agency sales, incubation, investment research, system and evaluation, thus continuously enhancing its core service capabilities. As of the end of 2018, the Company had partnered with a total of 799 private equity institutions, representing a year-on-year increase of 14%; a total of 1,913 PB products were introduced, representing an increase of 34% as compared to the previous year; there were 1,263 existing PB products, representing an increase of 14% as compared to the previous year; the new PB products filed for approval reached RMB103.9 billion, representing an increase of 13% as compared to the previous year; the size of existing PB products amounted to RMB204.5 billion, representing an increase of 34% as compared to the previous year; and 18 new private fund managers for seed fund were introduced, representing an increase of 125% as compared to the previous year.

(4) *Investment research business*

In 2018, adhering to the principle of objectivity, independence and professionalism and focusing on "developing Everbright branded research products", the Company held two large investor strategy conferences and certain large and medium-sized investor forums. Throughout the year, the Company released a total of 5,207 research reports, provided 13,921 roadshow services, 907 joint researches, and conducted a number of cross-industry and cross-region joint researches, teleconferences, salons and other

investment research services. As of the end of 2018, the Company tracked and researched 514 A-share listed companies, 111 NEEQ-listed companies and 105 overseas listed companies. Through these research activities, the Company has enriched its research capabilities and achieved full coverage of the research field. In 2018, the Company won 44 awards totally, including Crystal Ball, Golden Bull Award and Wind Gold Analyst. The Company also further improved the research support system for its business lines.

(5) *Securities proprietary trading business*

In 2018, the Company's equity investments focused on the scope of investment by optimizing the processes of investment and research, positioned at medium-and long-term stable compound revenues, continued to select investments carefully and improved the position structures. As for the market-making of China depositary receipts and cross-border conversion business under Shanghai-London stock connect system, the Company has been actively preparing and has passed the relevant business review by the exchange. For fixed-income investments, the Company capitalized on the opportunity when the risk-free interest rate on the market declined and achieved better investment returns. Meanwhile, the Company optimized its portfolio of quality corporate bonds with mid-to-high ratings while keeping its credit risks in control. The size of the commodity-based OTC options business increased significantly, and the approval on the filing of secondary dealers of OTC options business by Securities Association of China was obtained. The Company proactively applied for the qualification of cross-border business.

4. Investment management business

The investment management business includes the asset management business, fund management business, private equity investment business, alternative investment business and PPP business. In 2018, the segment realized revenue of RMB1.7 billion, accounting for 22% of the Group's total revenue.

(1) *Asset management business*

In 2018, Everbright Asset Management, based on its foundation of asset management, has continued to deepen reformation on investment research system, enhanced active management capabilities and improved products performance; meanwhile, put more into financing business and expanded institutional clients; conducted self-inspection on compliance of existing products, and adhered to the compliance and steady operation. It achieved a steady growth in assets under management (AUM) during the year. As of the end of 2018, the total AUM of Everbright Asset Management amounted to RMB289.755 billion, representing an increase of 5.60% from the beginning of the year. The assets under active management reached RMB154.225 billion, representing an increase of 33.98% from the beginning of the year and accounting for 53.23% of the total AUM. It completed 17 securitized projects as manager with an aggregate issue size of RMB35.838 billion in 2018.

Table 1: The size of each kind of products under asset management business and YoY percentage changes

Product type	AUM	YoY percentage changes compared to the end of 2017
Collective Asset Management Schemes	RMB74.519 billion	+4.08%
Designated Asset Management Schemes	RMB175.391 billion	-10.33%
Specific Asset Management Scheme	RMB39.845 billion	+453.40%
Total	<u>RMB289.755 billion</u>	<u>+5.60%</u>

Source: Internal Statistics of the Company

(2) Funds management business

In 2018, Everbright Pramerica proactively facilitated the stable development of each business in strict compliance with regulatory requirements, which has resulted in the continued increase in AUM. It insisted to drive its businesses with investment research, continued to enhance the development of investment and research system and the ability to invest and research, and further improved the assess system of investment and research. It has continuously adjusted its policies of fund sales and proactively improved existing fund products to cater for the demand of customers. While further expanding channels of long-term cooperation, Everbright Pramerica endeavoured to expand strategic customers and the cooperation with emerging channels such as internet platforms. As of the end of 2018, the AUM of Everbright Pramerica (totaling mutual and specific funds) amounted to RMB120.683 billion, representing a year-on-year increase of 11.9%, of which the AUM of mutual funds amounted to RMB93.752 billion, representing a year-on-year increase of 25.4%. As of the end of 2018, the net asset value of Everbright Pramerica ranked No. 26 in the industry rankings, without taking into account the money market funds, raising 4 places as compared with the ranking at the end of 2017.

(3) Private equity investment business

In 2018, according to regulatory requirements, Everbright Capital strictly implemented the standards of the industry, properly dealt with specific risk, and steadily strengthened the foundation of business. In terms of existing business, it proactively carried out active management, and pressed ahead the withdrawal of direct investment projects and fund projects; in terms of incremental business, Everbright Capital and Duzhe Media jointly initiated to establish Gansu Duzhe Everbright Emerging Industry Mergers and Acquisitions Fund (甘肅讀者光大新興產業併購基金). As of the end of 2018, Everbright Capital has operated 4 fund management companies and there were 22 funds managed or participated by Everbright Capital with a total paid-up capital of RMB14.416 billion.

(4) *Alternative investment business*

In 2018, Everbright Fortune proactively explored the development direction of alternative investment business and adjusted the relevant business layout and business model. Everbright Fortune focused on equity investment in such key areas as tourism, biomedicine, big data, communication and Internet technology.

(5) *PPP business*

In 2018, collaborating with the parent company, Everbright Development proactively explored the entry point of combining fund and standardized business. As at the end of 2018, Hebei Transportation Investment's ABN project has obtained Letter of Acceptance of Registration issued by the National Association of Financial Market Institutional Investors.

5. Overseas business

In 2018, the overseas business segment realized revenue of RMB1 billion, accounting for 13% of the Group's total revenue.

In 2018, our Hong Kong subsidiary took the collaborative advantage at home and abroad, boosted the platform integration, proactively expanded various businesses, gradually spread its influence in Hong Kong security market, and further sped up the progress of internationalization of overseas business.

Transformation was positively promoted in wealth management and brokerage business and customer base was continuously expanded. As of the end of 2018, total assets of clients amounted to HK\$127.0 billion, and the total number of clients was approximately 138,000, representing a year-on-year increase of 4.5%. The market share of securities turnover was 0.33% and the balance of margin financing business reached HK\$10.829 billion. During the year, wealth management service "Asset Power" was introduced to high net worth customers, and our Hong Kong subsidiary was successfully listed in Private Banking Directory (頂級私人銀行名錄) published in the 2018 annual of South China Morning Post. It is the only non-banking financial institution on the list.

The volume of corporate finance and capital market business saw an increase, with steady raise in market rankings. In 2018, a total of 8 H share sponsored projects have been completed, ranking 4th in the market; 16 underwriting projects have been completed, ranking 8th in the entire market; 2 financial advisory projects have been completed. In addition, our bond security market sector was created in the fourth quarter of the year, and has completed 6 U.S.-dollar bonds issuance and underwriting projects were completed.

Investment and structured financing business continued to enhance project screening with risk control as prerequisite, and strictly monitored the post-investment management. As of the end of 2018, there were 8 equity and debt investment projects under operation at the same time, representing an investment amount of approximately HK\$1.97 billion, covering industries including TMT, new retail, health care, infrastructure and new energy resource, etc.

The total AUM of asset management business, comprising 18 fund products (including funds and special accounts), amounted to HK\$2.971 billion, of which HK\$1.140 billion came from the AUM of proactive asset management, representing a year-on-year increase of more than 8.84%.

In addition, during the Reporting Period, subsidiaries in Hong Kong have established strategic partnership with Stifel Financial Corp., which has improved oversea business layout, helped to expand the international sales and transaction network, and enlarged the global customer base.

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

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

Establishing a sound internal control mechanism is an important step to maintain the long-term healthy growth of the Company. Over the years, the Company has always attached great importance to the construction of internal control system. Pursuant to the provisions of the enterprise internal control standard system, the Company has continued to explore ways to establish and implement an effective internal control and has always carried on internal control in the course of the Company's operation and development. In 2018, in accordance with the regulatory documents including the Guidelines on Internal Control of Securities Companies, taking into account its own business objectives and operating performance coupled with the physical conditions of the Company and the industry, the Company has conformed to sound, reasonable, independent and check-and-balance principals, continued to improve the internal control system and optimize the internal control mechanism, further increased the investment in information system construction and continued to improve the effectiveness of internal control.

The Board of Directors has evaluated the effectiveness of the internal control of the Company during the Reporting Period and issued the "2018 Annual Internal Control Evaluation Report". One major defect of internal control existed in the non-financial report of the Company. As of the date of issuing the Internal Control Evaluation Report, the rectification in relation to such defect has been completed. For details, please refer to "2018 Annual Internal Control Evaluation Report of Everbright Securities Company Limited" disclosed on the website of the Shanghai Stock Exchange (www.sse.com.cn) on March 28, 2019. The Board of Directors will urge the Company's management to enhance the management and control of the subsidiaries, improve the internal control work mechanism, and strengthen the management

and control of the subsidiaries. At the same time, the Board of Directors will take effective measures to properly resolve the relevant risks, investigate and affix responsibility seriously, and actively protect the legitimate rights and interests of the Company and all Shareholders.

(II) Adhering to compliant operation and enhancing compliance management

Pursuant to the relevant rules of the CSRC, the Company, after considering its actual situation, has established a scientific and reasonable compliance management system with clear division of responsibilities. The compliance management system of the Company corresponds with its scope of operation, organizational structure and business scale. The Company has specified the objectives and standards of compliance management and established a scientific, efficient and practically feasible compliance management system so as to effectively identify, assess and manage compliance risks and provide effective support and supervision for the Company to operate in compliance with laws and regulations. The Company improved the organizational structure and scope of responsibilities of compliance management. According to the requirements of the Measures for the Compliance Management of Securities Companies and Securities Investment Fund Management Companies, the Company has established a hierarchical compliance management and control mechanism with specific division of responsibility, specifying the corresponding compliance management duties of the Board of Directors, the Supervisory Committee, major persons-in-charge of operations management, the chief compliance officer, other executives, the legal and compliance department and the compliance management staff. As a result, the Company comprehensively improved its compliance management responsibility system covering decision making, implementation, supervision and feedback.

(III) Improving risk control to promote sustainable development

By adhering to the risk management culture of sound operation, the Company has continued to commit itself to establishing a comprehensive risk management system that matches the Company's strategic and developmental objectives and optimized its risk management in an ongoing basis so as to effectively manage various risks faced during the Company's operations and promote the healthy and sustainable development of the Company's businesses. The Company has also developed a set of comprehensive and implementable risk management system and improved the risk management system formed by four levels, namely the Board of Directors, the Supervisory Committee and its Risk Management Committee, the management and its subordinate professional committees, the risk management functional departments and the business departments. Besides it has also established a management mechanism with risk preference and limit management, risk monitoring and multi-level risk reporting and set up a three lines of risk management composed of business departments, risk management functional departments and internal audit department. Finally it also adopts measures including audit, inspection and performance review to ensure the implementation of risk management system.

Since the implementation of the new norms of the Administrative Measures for Risk Control Indicators of Securities Companies, the Company has promoted the optimization and improvement of its risk management mechanism in various aspects, such as establishing a classified risk management structure, specifying risk management concepts, amending risk management systems, improving risk management preference and limits, establishing risk management information technology systems and enriching the risk management team. In 2018, facing the pressure of market downturn and risk clustering, the Company followed the general work principle of “steady progress and transformation”, and proactively played the professional role of various risk management functions. With a sound system centering on risk control, the Company focused on key areas and implementation of new requirements, enhanced risk prevention and control measures, continuously optimized the risk management system and continued to enhance the effectiveness of risk management.

IV. IMPROVING THE CORPORATE GOVERNANCE MECHANISM TO ENHANCE THE QUALITY OF DAILY OPERATION OF THE BOARD OF DIRECTORS

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

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

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

In accordance with the relevant provisions of the Articles of Association and the rules of procedure of the committees, the Board committees have conscientiously discharged their duties and given full play to their professional advantages to strongly support the decision-making of the Board of Directors. During the Reporting Period, the Board of Directors held eight meetings, including six meetings by communication and two meetings held both on-site and by communication, to consider more than 50 proposals and fully played the role of standardized and efficient consideration and scientific decision-making in major events of the Company. The Board committees of the Company had convened ten meetings, including three meetings of the Remuneration, Nomination and Credentials Committee, two meetings of Strategic and Development Committee, four meetings of the Audit Committee, and one meeting of the Risk Management Committee.

During the Reporting Period, a number of Directors of the Company attended an online training programme regarding the revised Listing Rules launched by the Hong Kong Stock Exchange and a training and performance improvement exchange course on the Audit Committee of the Listed Companies held by China Association for Public Companies,, thereby further enhancing the Directors' ability to perform their duties.

(III) Remuneration of Directors and senior management

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

(IV) Particulars of information disclosure and investor relationship management

The Board of Directors attaches great importance to information disclosure and urges the Company to disclose information comprehensively and normatively to ensure the authenticity, accuracy and completeness. During the Reporting Period, the Company prepared and released several regular reports, including the 2017 Annual Report, quarterly reports for the first and third quarters in 2018 and the interim report of 2018, and 63 extraordinary reports and 12 monthly financial reports. The Company also attaches great importance to investor relationship management. During the Reporting Period, the Company received 26 on-site researches from industry researchers and investors, and rolled out a number of on-site road shows at home and abroad. The Company also positively interacts with investors by responding to investors about issues of common concern through e-interactive platform of the SSE, telephone and e-mail.

V. DISCHARGING OF DUTIES BY THE DIRECTORS IN 2018

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

Table 1: Discharging of duties by the current Directors

Name of the Director	Attendance at the meetings of the Board of Directors						Not attend in person twice in a row
	Independent Director or not	Meetings required to attend during the year (times)	Attendance in person (times)	Attendance by Communication (times)	Attendance by proxy (times)	Absence (times)	
Xue Feng	No	8	8	6	0	0	No
Yan Jun	No	3	3	3	0	0	No
Ju Hao	No	8	8	6	0	0	No
Song Bingfang	No	3	3	3	0	0	No
Yin Lianchen	No	8	8	7	0	0	No
Chan Ming Kin	No	8	8	7	0	0	No
Xue Keqing	No	8	8	8	0	0	No
Xu Jingchang	Yes	8	8	6	0	0	No
Xiong yan	Yes	8	8	7	0	0	No
Li Zheping	Yes	8	8	7	0	0	No
Au Sing Kun	Yes	8	8	6	0	0	No
Wang Yong	Yes	1	1	1	0	0	No

Note 1: The appointment of Mr. Yan Jun took effect from August 9, 2018.

Note 2: The appointment of Mr. Song Bingfang took effect from August 13, 2018.

Note 3: The appointment of Mr. Wang Yong took effect from November 1, 2018.

**2018 Report of the Supervisory Committee
of
Everbright Securities Company Limited**

In 2018, the Supervisory Committee strictly abided by the relevant laws and regulations such as the Company Law, the Securities Law, the Articles of Association, the Rules of Procedures for the Supervisory Committee, etc., fulfilled their duties carefully and diligently, supervised the Company's legal and compliant operation, financial condition, the performance of duties by the Board of Directors and the management of the Company, and completed the various routine and key works of the Supervisory Committee in 2018, promoting the Company's standardized and healthy development, and effectively safeguarding the legitimate rights and interests of the Company, all Shareholders and employees.

I. MAIN WORK OF THE SUPERVISORY COMMITTEE IN 2018

1. Completing election of supervisors in an efficient and orderly manner

Given the Company's former external Supervisor Mr. Zhang Limin resigned from his position due to work, the Company promptly held the fourth meeting of the fifth session of Supervisory Committee and elected Mr. Sun Wenqiu, Vice Chairman and President of Zhejiang Huleaf Co., Ltd., as the Company's external Supervisor in accordance with laws and regulations.

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

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

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

Table 1: Discharging of duties by the current Supervisors

Name	Number of Supervisory Meetings required to attend	Attendance in person (times)	Attendance by Communication (times)	Attendance by proxy (times)	Absence (times)
Liu Jiping	5	2	3	0	0
Zhang Jingcai	5	1	3	1	0
Wang Hongyang	5	2	3	0	0
Zhu Wuxiang	5	1	4	0	0
Sun Wenqiu	1	0	1	0	0
Wang Wenyi	5	2	3	0	0
Huang Qin	5	2	3	0	0
Li Xianzhi	5	2	3	0	0

Note: As a member of the fifth session of Supervisory Committee, Mr. Sun Wenqiu started assuming his role as Supervisor since September 30, 2018 in accordance with CSRC Shanghai Bureau's Reply on Approving Sun Wenqiu's Qualification as Supervisor of Everbright Securities Company Limited (CSRC Shanghai Bureau Permission [2018] No. 79).

During the Reporting Period, the Supervisory Committee reviewed and listened to 20 proposals, including 13 voting proposals and 7 non-voting proposals, with details set out as follows:

Table 2: Meetings of the Supervisory Committee convened in 2018

Date	Meeting	Proposal	Voting result
March 26, 2018	Second meeting of fifth session of Supervisory Committee	To hear the Company's 2017 operation report	No voting is required for this proposal
		To consider and approve the proposal on changing the Company's accounting policy	For: 8 votes Against: 0 vote Abstain: 0 vote
		To consider and approve the proposal on the Company's 2017 annual report and its summary	
		To consider and approve the proposal on the Company's 2017 Report of the Supervisory Committee	
		To consider and approve the proposal on the Company's 2017 internal control evaluation report	
		To review the proposal on the Company's 2017 internal control audit report	No voting is required for this proposal
		To consider and approve the proposal on the Company's 2017 compliance report	For: 8 votes Against: 0 vote Abstain: 0 vote
		To hear the proposal on the Company's 2017 work report on risk control	No voting is required for this proposal
		To hear the Company's 2017 audit report	
		To consider and approve the proposal on the Company's 2017 net capital calculation table and risk control regulatory statement	For: 8 votes Against: 0 vote Abstain: 0 vote
		To consider and approve the proposal on the Company's 2017 social responsibility report/ESG Report	

Date	Meeting	Proposal	Voting result
		To hear the proposal on special investigation report by the Company's Supervisory Committee	No voting is required for this proposal
		To consider and approve the proposal on the 2018 work plan of the Company's Supervisory Committee	Eight votes in favor of it, no votes against it and no abstain from voting
April 26, 2018	Third meeting of fifth session of Supervisory Committee	To consider and approve the proposal on the Company's report for the first quarter in 2018	Seven votes in favor of it, no votes against it and no abstain from voting
June 22, 2018	Fourth meeting of fifth session of Supervisory Committee	To consider and approve the proposal on the nomination of Mr. Sun Wenqiu as a candidate for the Supervisor of the Company	Seven votes in favor of it, no votes against it and no abstain from voting
August 28, 2018	Fifth meeting of fifth session of Supervisory Committee	To hear the Company's operation report for the first half in 2018	No voting is required for this proposal
		To consider and approve the proposal on the Company's 2018 interim report and its summary	Seven votes in favor of it, no votes against it and no abstain from voting
		To consider and approve the proposal on the Company's 2018 net capital calculation table and risk control regulatory statement	
		To hear the report on special risk management	No voting is required for this proposal
October 29, 2018	Sixth meeting of fifth session of Supervisory Committee	To consider and approve the proposal on the Company's report for the third quarter in 2018	Eight votes in favor of it, no votes against it and no abstain from voting

3. Improving corporate governance

The Supervisory Committee urged the Company to establish and improve its internal managements system in accordance with laws and regulations such as the Company Law, the Securities Law, the Code of Corporate Governance for Listed Companies, relevant Listing Rules, the Rules for Governance of Securities Companies, and the Regulation on the Supervision and Administration of Securities Companies and continuously summarize and improve during implementation. Meanwhile, the Supervisory Committee continued to improve the establishment of its system.

The Supervisory Committee urged the Company to strictly perform its corporate governance process and standardize the reporting procedure of the Supervisory Committee and the President's office meetings. Meanwhile, the committee urged the Company to strictly perform the management system of the Company's Party Committee on the "Three Important and One Large" to ensure relevant matters are considered and approved by the Company's Party Committee before submission to the president's office meetings, the Supervisory Committee, the Board of Directors and general meetings.

At the same time, the Chairman of the Supervisory Committee reported on relevant situation to Supervisors at the meetings of the Supervisory Committee, facilitating the further improvement of the Company's internal control functions and corporate governance and giving full play to the supervisory functions of the Supervisory Committee.

4. Actively implementing comprehensive supervision

The Supervisors promptly understood the works by the Company's general meeting, the Board and the Supervisory Committee, operation status, share price and Shareholder structure, information disclosure and investor relations, regulatory rules and industry dynamics through the monthly Supervisors' Newsletter and the daily Fast News issued by the Company, and effectively implemented supervision. The Supervisory Committee paid high attention to the formulation of the five-year (2019-2023) strategic development plan of the Company and put forward professional comments and suggestions. At the same time, firmly adhering to the general tone of "seeking progress while maintaining stability", the Supervisory Committee tapped into resources for the Company's business expansion, provided advice and recommendations on the synergized and coordinated development of the Company's business, actively assisted the Company's key work, and paid close attention to the Company's top priorities, and conducted proper supervision.

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

During the Reporting Period, the Supervisory Committee held regular meetings to review the Company's annual compliance work report, risk assessment report and audit report. The Supervisory Committee paid special attention to potential risks that the Company exposed to, required the management to supervise risks of key businesses, and heard the Company's report on special risk management, paid attention to key risk areas, evaluated relevant work and put forward suggestions for improvement and optimization.

During the Reporting Period, the Supervisory Committee supervised the performance of duties by the Board of Directors and Directors, supervised the attendance of meetings of Board of Directors, the special committees under the Board of Directors and the general meetings, expression of opinions and voting by Directors, and urged the Directors to perform their duties diligently. The Supervisory Committee actively cooperated with Everbright Group's assessment of the Company's management and urged the management to better perform their duties. At the same time, the Chairman of the Supervisory Committee participated in the meeting of the Company's Party Committee and attended the President's office meetings to keep abreast of the division of work and performance of duties by the management and further supervise the performance of duties by the management.

5. Strengthening supervision on the Company's financial and risk conditions

During the Reporting Period, the Supervisory Committee attached great importance to the financial and auditing situation of the Company, strictly supervised the selection and appointment of accounting firm, actively supervised and participated in the meetings between the Audit Committee of the Board of Directors and the accounting firm, put forward clear-cut requirements on accountants' work quality, and obtained a detailed understanding of and reviewed the annual audit work of the external auditors and the audit results.

The chairman of the Supervisory Committee regularly listened to the report of the head of finance and accounting department and listened to the reports of risk management department, audit department and legal compliance department from time to time, and paid attention to the Company's financial and risk conditions; the chairman of the Supervisory Committee was responsible for contacting the Company's audit department, providing all-round guidance on audit work and putting forward relevant requirements and comments; the chairman of the Supervisory Committee proactively advanced the establishment of a dedicated team for internal control management within the Company, and supervised the Company to make corresponding provisions for impairment of special risk projects to guard against risks; the chairman of the Supervisory Committee participated in the meetings of the Company's Party Committee and attended the president's office meetings to keep abreast of significant decision-making and financial and operating conditions and to conduct dynamic supervision in a timely manner.

The Supervisory Committee believes that the risks arose in private equity investment project of a wholly-owned subsidiary indicates that the subsidiary management and control mechanism shall be improved, and the Company's management and control over the subsidiaries are inadequate, and there were defects in internal control. The Supervisory

Committee will supervise the management of the Company to improve various control systems in subsidiaries, improve internal control working mechanism and strengthen the control over subsidiaries. At the same time, the Company is taking effective measures to properly defuse relevant risks and to actively safeguard the legitimate rights and interests of the Company and all Shareholders.

Two members of the Supervisory Committee come from the Company's risk management and internal control department and the audit department, respectively, which helps the Supervisory Committee to fully understand and monitor the Company's risk control, internal control and audit.

6. Fully strengthening the internal and external research and investigation

In order to further understand the Company's various businesses and provide constructive suggestions for the Company's decision-making, the Supervisory Committee actively strengthened its efforts in internal research and investigation. Throughout the year, the Supervisory Committee participated in the research and investigation of the Company's headquarters and four branches of the Company, including Beijing Branch, Shenyang Branch, Shandong Branch, and Shenzhen Branch as well as subsidiaries of the Company such as Everbright Asset Management, and conducted research and investigation at Yinchuan Business Department, the Middle Huaihai Road Business Department and the Tianjin Business Department, etc. to develop an in-depth understanding of the progress of the Company's strategy and the relevant difficulties and problems, and put forward relevant management advice and recommendations.

In the meantime, to better give play to the role of the Supervisory Committee and enable the Company's supervisors to further understand the Company's connected transactions and management thereon, the Supervisory Committee conducted special research and investigation on connected transactions in November 2018, and held in-depth exchanges on management and execution of related party transactions with the Company's management.

The Supervisory Committee of the Company also fully engaged in the research and investigation on the Company initiated by the supervisory committee of the controlling shareholder. The supervisory committee of the controlling shareholder listened to the special reports of the Company on strategic management, financial management and risk management. The chairman of the Supervisory Committee, on behalf of the Supervisory Committee of the Company, introduced in detailed personnel structure, main responsibilities, performance of duties, daily work, operation mode and other aspects of the Supervisory Committee of the Company to the supervisors of the controlling shareholder participating in the research and investigation.

7. Strengthening business exchanges and training

During the Reporting Period, the Supervisory Committee of the Company strengthened business exchanges and studies on personnel structure, main responsibilities, performance of duties, daily work, operation mode and other aspects of the Supervisory Committee with industry peers and shared valuable experience and advanced practices on operation of the supervisory committee. During the Reporting Period, two Supervisors of the Company participated in the first training session for directors and supervisors of listed companies in 2018 organized by the Listed Companies Association of Shanghai District.

II. SUPERVISORY COMMITTEE'S OPINIONS ON RELATED MATTERS IN 2018

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

1. During the Reporting Period, the annual financial report for the year of 2018 was audited by the accounting firm Ernst & Young Hua Ming LLP, who issued a standard unqualified audit report. The Supervisory Committee believes that the financial report reflects the Company's financial situation and operating results accurately, objectively and completely.
2. During the Reporting Period, the Company operated strictly in accordance with relevant laws and regulations. The decision-making process was lawful and valid. No behavior which has violated laws and regulations and impaired the interests of the Company and its Shareholders by Directors or senior managements in performing their duties was found.
3. During the Reporting Period, with a focus on its strategic objective of becoming a first-class investment bank in China and firm adherence to the general tone of "seeking progress while maintaining stability", the Company faced up to market pressure and rose to challenges, took solid steps, aimed for excellence, leveraged its advantages and improved weakness to advance the reform and transformation in an orderly manner and realize sound development in operation and management.
4. During the Reporting Period, the Company's related party transactions were carried out fairly in accordance with the law, without prejudice to the interests of the Company.

5. During the Reporting Period, the Company's related policies including Measures on the Administration of Information Disclosure Matters and Measures of Registration of Insiders were implemented effectively. Relevant information was disclosed actually, accurately, timely and comprehensively to safeguard the fairness of information disclosure and protect the legitimate rights and interests of investors.
6. During the Reporting Period, the Supervisory Committee of the Company supervised the implementation of the resolutions of the general meetings of Shareholders. The Supervisory Committee holds the opinion that the Board of Directors can earnestly carry out the relevant resolutions of the general meetings of Shareholders, without prejudice to the interests of Shareholders.
7. During the Reporting Period, the Supervisory Committee considered and approved the Company's 2017 annual report compiled by the Board of Directors, and was of the opinion that the preparation and audit procedures of 2017 annual report and summary by the Board of Directors were in accordance with laws, administrative regulations and CSRC provisions, and the contents of the report reflects the actual situation of the Company truly, accurately and comprehensively. During the Reporting Period, the Supervisory Committee considered and heard the Company's 2017 Annual Internal Control Evaluation Report, 2017 Annual Internal Control Audit Report, 2017 Compliance Report, 2017 Risk Management Report and 2017 Audit Report, and has no objections towards these reports.

III. SPECIAL DESCRIPTION OF THE REMUNERATION AND ASSESSMENT OF THE SUPERVISORY COMMITTEE

According to the relevant requirements of the Rules for Governance of Securities Companies, the Supervisory Committee hereby provides descriptions for the annual remuneration and assessment of the Supervisors for the year 2018 as follows: in 2018, the Company held five meetings of the Supervisory Committee, and the Supervisors actively attended the meetings of the Supervisory Committee in accordance with the relevant provisions of the Articles of Association and Rules of Procedures for the Supervisory Committee, carefully reviewed the proposals, and performed the duties of Supervisory Committee in accordance with laws; actively attended the meetings of Board of Directors and general meetings, and supervised the meeting procedures and decision-making process in accordance with the law; carried out special researches, comprehensively understood the Company's conditions, provided management recommendations, implemented effective supervision and maintained the interests of the Company and Shareholders.

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

**The Expected Ordinary Related Party/Connected Transactions
of the Company in 2019**

Approved by the CSRC, the Company has been engaged in securities business, including the trading on securities and other financial products and brokerage services, whose counterparty and service targets also include the related/connected parties of the Company. In order to perform well in the related party/connected transaction management and information disclosure, the Company has estimated the ordinary related party/connected transactions in the year of 2019 based on the needs of daily operation and business development of the Company and its subsidiaries (the “**Company**”), pursuant to relevant laws and regulations, the *Listing Rules of the SSE*, the Listing Rules and the relating regulations of related party/connected transactions of the Company.

I. ORDINARY RELATED PARTY/CONNECTED TRANSACTIONS IN THE YEAR OF 2018

The fourth session of the 5th Meeting of the Board of Directors and the 2017 General Meeting of the Company reviewed and approved the *Proposal of Expected Ordinary Related Party/Connected Transactions of the Company in 2018*. In 2018, the Company conducted business strictly within the scope of the ordinary related party/connected transactions determined in the *Proposal of Expected Ordinary Related Party/Connected Transactions of the Company in 2018*.

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

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

1. The related party/connected transactions of the Company in 2018 were entered into in the Company's ordinary and usual course of business;
2. The related party/connected transactions of the Company in 2018 were entered into on normal commercial terms or better;
3. The related party/connected transactions of the Company in 2018 were entered into according to the agreements regulating such related party/connected transactions on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

Details of the ordinary related party/connected transactions between the Company and the Members of Everbright Group in the year of 2018 are as follows:

1. Property leasing

Nature of the transaction	Category of the transaction	Expected	Actual	Portions in the amount of similar transactions
		amount in 2018 (RMB10,000)	amount in 2018 (RMB10,000)	
Property leasing business	Rental income	780	276.05	24.09%
	Rental expense	5,200	1,955.73	4.93%

2. Trading on securities and financial products

Nature of the transaction	Category of the transaction	Expected	Actual
		amount in 2018 (RMB100 million)	amount in 2018 (RMB100 million)
Trading on securities and financial products	Total cash inflows generated by the trading of securities and financial products	1,927.50	776.63
	Total cash outflows generated by the trading of securities and financial products	2,457.50	1,042.13

3. Securities and financial services

Nature of the transaction	Category of the transaction	Expected amount in 2018 (RMB10,000)	Actual amount in 2018 (RMB10,000)	Portions in the amount of similar transactions
Securities and financial services	Income: providing securities and financial services	104,860	36,401.21	3.64%
	Expense: receiving securities and financial services	17,600	14,115.12	3.37%

In 2018, related natural persons received securities and financial services offered by the Company and subscribed for securities and financial products issued by the Company in accordance with laws and regulations and regulatory requirements. The relevant services or products were offered based on a unified standard and the pricing of relevant transactions was determined with reference to the market prices based on a reasonable and fair pricing standard. Transactions of securities and financial services between the Company and other related natural persons amounted to RMB11,150,000. Details of the transactions of securities and financial products are as follows:

No.	Related party	Category of the transaction	Expected amount in 2018 (RMB100 million)	Actual amount in 2018 (RMB100 million)
1	China Development Bank	Total cash inflows generated by the trading of securities and financial products	Accounted at the actual generated amount due to the uncertainties of the occurrence and the scale of the businesses	0.21
		Total cash outflows generated by the trading of securities and financial products		0.2
2	Shenwan Hongyuan Securities Co., Ltd.	Total cash inflows generated by the trading of securities and financial products		121.77
		Total cash outflows generated by the trading of securities and financial products		2.35

No.	Related party	Category of the transaction	Expected amount in 2018 (RMB100 million)	Actual amount in 2018 (RMB100 million)
3	HFT Investment Management Co., Ltd.	Total cash inflows generated by the trading of securities and financial products		1.57
		Total cash outflows generated by the trading of securities and financial products		0.23

II. EXPECTED ORDINARY RELATED PARTY/CONNECTED TRANSACTIONS IN THE YEAR OF 2019

Referring to the related party/connected transactions in recent years, the Company had estimated the ordinary related party/connected transactions in the year of 2019 based on the needs of business development in the year of 2019. Details are as follows:

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

1. Property leasing

Nature of the transaction	Category of the transaction	Expected amount (RMB10,000)
Property leasing business	Rental income	600
	Rental expense	4,000

2. Trading of securities and financial products

Nature of the transaction	Category of the transaction	Expected amount (RMB100 million)
Trading on securities and financial products	Total cash inflows generated by the trading of securities and financial products	2,300
	Total cash outflows generated by the trading of securities and financial products	2,300

3. Securities and financial services

Nature of the transaction	Category of the transaction	Expected amount <i>(RMB10,000)</i>
Securities and financial services	Income: providing securities and financial services	95,000
	Expense: receiving securities and financial services	25,000

4. Non-financial integrated services

Nature of the transaction	Category of the transaction	Expected amount <i>(RMB10,000)</i>
Non-financial integrated services	Income: providing non-financial integrated services	300
	Expense: receiving non-financial integrated services	6,900

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

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

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

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

(1) Property leasing

Nature of the transaction	Category of the transaction	Expected amount (RMB10,000)
Property leasing business	Rental income	Accounted at the actual generated amount due to the uncertainties of the occurrence and the scale of the businesses
	Rental expense	

(2) Trading of securities and financial products

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

(3) Securities and financial services

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

(4) Non-financial integrated services

Nature of the transaction	Category of the transaction	Expected amount (RMB10,000)
Non-financial integrated services	Income: providing non-financial integrated services	Accounted at the actual generated amount due to the uncertainties of the occurrence and the scale of the businesses
	Expense: receiving non-financial integrated services	

2. Other connected persons defined by the Listing Rules

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

III. OVERVIEW OF THE RELATED/CONNECTED PARTIES (PERSONS) AND THE RELATIONSHIP**1. Members of Everbright Group**

As at the date of this circular, Everbright Group and through its affiliated company, China Everbright Limited (the “**Everbright Limited**”), had been holding 46.45% of equity of the Company.

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

Established on August 25, 1972 in Hong Kong with the chairman of the Board of Directors Mr. Cai Yunge, focusing on the fund management and investment businesses including the development of primary market funds, secondary market funds and structural finance and investment, Everbright Limited has persisted in the enlarged asset management strategy and actively developed the aircraft leasing business in China and emerging markets, as the major shareholder of China Aircraft Leasing Group Holdings Limited.

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

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

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

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

**IV. THE MAIN CONTENTS AND PRICING POLICY OF RELATED
PARTY/CONNECTED TRANSACTIONS****1. Property leasing business**

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

2. Trading on securities and financial products

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

3. Securities and financial services

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

4. Non-financial Miscellaneous Services

Non-financial miscellaneous services transactions include information technology and Internet network services, conference services, title sponsor services, network maintenance, printing and publication, books and audio/video products, renovation, training, medical care, corporate travel management, advertising and promotion, property management, consultancy services, labor outsourcing related services, advertising places, logistics, warehouse and other non-financial miscellaneous services. The transaction price of each of the above non-financial integrated service shall be determined, in accordance with relevant laws and regulations and general business transaction terms, after arm's length negotiation based on conditions not less than where such services are obtained from or provided to third parties.

**V. EFFECTS OF THE ORDINARY RELATED PARTY/CONNECTED
TRANSACTIONS TO THE COMPANY**

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

Everbright Securities Co., Ltd.
Independent Directors' Annual Work Report for 2018

Dear Shareholders:

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

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

In accordance with relevant laws and regulations of the CSRC, we hereby report our work in 2018 as follows:

I. BASIC INFORMATION

The fifth session of the Board of Directors of the Company included Mr. Xu Jingchang, Mr. Xiong Yan, Mr. Li Zheping, Mr. Au Sing Kun and Mr. Wang Yong. After being considered and approved at the first extraordinary general meeting of Shareholders of the Company in 2018, Mr. Wang Yong was elected as the Company’s independent director and resumed his position on November 11, 2018.

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

Name	Work history and part-time work	Professional background	Is Independence affected
Xu Jingchang	Mr. Xu Jingchang is currently an Independent Director of the Company. He serves as a professor and doctoral tutor of the accounting department of the School of Business of Renmin University of China, an independent director of Anhui Transport Consulting & Design Institute Co.,Ltd. (a company listed on the SSE, stock code: 603357), an independent director of CITIC Heavy Industries Co., Ltd (a company listed on the SSE, stock code: 601608), an independent director of Sinochem International Corporation (a company listed on the SSE, stock code: 600500), Hainan Airlines Holding Co., Ltd. (a company listed on the SSE, stock code: 600221) and served as an executive member of the council of the Banking Accounting Society of China and a member of the council of the Accounting Society of China. He was previously the deputy dean and dean of the accounting department of the Business School of Renmin University of China.	Renmin University of China Doctor of Accountancy	No

Name	Work history and part-time work	Professional background	Is Independence affected
Xiong Yan	Mr. Xiong is currently an Independent Director of the Company. He serves as chairman of Beijing Guofu Capital Co., Ltd., independent director of Beijing Watertek Information Technology Co., Ltd. (a company listed on the SZSE, stock code: 300324), vice chairman of the 3rd council of China Mergers and Acquisitions Association. He previously worked as a director, president and chairman of Beijing Property Rights Exchange Co., Ltd., chairman of Beijing Environment Exchange, chairman of China Technology Exchange, chairman and president of Beijing Financial Assets Exchange and an independent director of Cachet Pharmaceutical Company Limited (a company listed on the SZSE, stock code: 002462).	Harbin Institute of Technology Master of Economics	No

Name	Work history and part-time work	Professional background	Is Independence affected
Li Zheping	<p>Mr. Li is currently an Independent Director of the Company. He serves as an editor-in-chief of the magazine “Modern Bankers” and an independent director of UBS SDIC Fund Management Co., Ltd., AVIC Securities Co., Ltd. and Guangdong Nanyue Bank Co., Ltd respectively.</p> <p>Mr. Li previously served as an editor-in-chief of the theory edition of the “China Securities Journal”, chairman of Tongxin Assets Appraisal Co., Ltd and an independent director of China CITIC Bank Corporation Limited (a company listed on the SSE (stock code: 601998) and the Stock Exchange (stock code: 998) respectively).</p>	<p>Graduate School, People’s Bank of China Master of Money and Banking</p>	No

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

Name	Work history and part-time work	Professional background	Is Independence affected
Wang Yong	<p>Mr. Wang is currently an Independent Director of the Company, the assistant to the dean of the School of Economics and Management, Tsinghua University. He is also the office director of the Business Scholars Program, director of the Cooperative Development Office and director of the Executive Committee of the China Enterprise Development and M&A Research Center. He is also an independent director of Rici Healthcare Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 1526). He served as the project director of the Institute of Mechanical and Electrical, the deputy manager of the Mechanical and Electrical Equipment Plant, the manager of Water and Power Equipment Model Plant of China Institute of Water Resources and Hydropower Research, the deputy general manager of SRIT NETech Co., Ltd., an independent director of Shenzhen Clou Electronics Co., Ltd. (a company listed on SZSE, stock code: 002121) and Shenzhen Ocean's King Lighting Science & Technology Co., Ltd. (a company listed on SZSE, stock code: 002724).</p>	<p>School of Economics and Management, Tsinghua University Doctor of Business Administration</p>	No

II. ANNUAL WORK PERFORMANCE

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

1. In 2018, the Board of Directors of the Company held a total of eight meetings, including two meetings held both on-site and by communication and six meetings by communication. In 2018, the Company held a total of three general meetings. The attendance of board meetings by Independent Directors is as follows:

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

2. In 2018, the special committees under the Board of Directors of the Company held a total of ten meetings, including three meetings of the Remuneration, Nomination and Credentials Committee, four meetings of the Audit Committee, one meeting of the Risk Management Committee, and two meetings of the Strategies and Development Committee.

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

Special committees under the Board of Directors

Independent Directors

Remuneration, Nomination and Credentials Committee	Xiong Yan (chairman), Xu Jingchang, Au Sing Kun
Audit Committee	Xu Jingchang (chairman), Xiong Yan, Li Zheping
Risk Management Committee	Li Zheping (chairman), Au Sing Kun, Wang Yong
Strategies and Development Committee	Wang Yong

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

(II) Relevant resolutions and voting results

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

(III) Record of training

During the Reporting Period, we attended an online training programme regarding the revised Listing Rules launched by the Hong Kong Stock Exchange while Mr. Xu Jingchang, chairman of the Audit Committee, attended a training and performance improvement exchange course on the Audit Committee of the Listed Companies held by China Association for Public Companies, thereby further enhancing ability to perform our work.

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

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

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

III. MAJOR CONCERNS

(I) Related party transactions

Before the convening of the 4th meeting of the fifth session of the Board of Directors, we expressed our opinions on the execution of related party/connected transactions of the Company in 2017, and concluded that the related party/connected transactions of the Company in 2018 were entered into in the ordinary course of business and based on normal commercial terms or more favourable ones, and are subject to restrictions during execution, and the terms are considered fair and reasonable and in the interests of the Shareholders of the Company as a whole. We also expressed our opinions on related party/connected transactions of the Company in 2018, and concluded that the Board of Directors of the Company had reviewed the procedures and legal compliance to ensure that they complied with the provisions of the Company Law, Securities Law and other relevant laws and regulations as well as the Articles of Association, without prejudice to the interests of the Company and other Shareholders, especially minority Shareholders and non-related Shareholders upon the review of the relevant issues.

(II) External guarantees and capital occupation

Before the convening of the 4th meeting of the fifth session of the Board of Directors, we conducted investigations and studies on the external guarantees as at December 31, 2017 and expressed independent opinions. We were of the views that the Company's guarantees had been subjected to review procedures in compliance with the laws and the requirements under the Notice of Certain Issues relating to the Standards of Capital Dealings with Related Parties by Listed Companies and Provisions of External Guarantees by Listed Companies were met, without prejudice to the interests of the Company and the Shareholders. During the Reporting Period, the Company did not provide any guarantees to the controlling shareholders, de facto controller and their related parties, to fully protect the legitimate rights and interests of the Company and all Shareholders.

(III) The use of funds raised

Considered and approved at the 8th meeting of the fifth session of the Board of the Company and the second general meeting in 2018, the Company revised the Regulations of Everbright Securities Company Limited on the Management and Use of Funds Raised, in which it improved relevant provisions on debt financing. During the Reporting Period, the Company issued a total of six tranches of corporate bonds, raising RMB24.6 billion; the Company issued one tranche of subordinated bonds, raising RMB3 billion; the Company's qualification of issuing commercial papers was registered with the People's Bank of China and the Company issued two tranches of commercial papers, raising RMB6 billion; the Company issued three tranches of asset-backed securities, raising RMB5.7 billion; its overseas subsidiary successfully issued USD200 million guaranteed notes.

We paid attention to the use of funds raised and the utilization of the funds was consistent with the purposes specified in the prospectus, the plans for the utilization and other stipulations.

(IV) Nomination and remuneration of senior management

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

The proposal regarding nominating Mr. Yan Jun as a candidate for the Company's Director was passed at the 6th meeting of the fifth session of the Board of Directors. We consider that the candidate of Director satisfied the conditions for being a director of a listed securities company and was able to perform the duties required by the relevant positions in the Company. The nomination and appointment procedures of the above person met the relevant requirements of the laws and regulations and the Articles of Association.

(V) Performance express and annual report

On January 20, 2018, according to the relevant rules of the Listing Rules of the Shanghai Stock Exchange, the Company disclosed its performance express for 2017. On March 27, 2018, the Company disclosed its annual report for 2017. After verification, we believe that the Company's main financial data and indicators contained in the Company's preliminary results announcement for 2017 are not significantly different from the Company's audited financial data in the final accounts.

(VI) Appointment or replacement of accounting firm

Before the convening of the 4th meeting of the fifth session of the Board of Directors, we verified and reviewed the relevant information on Ernst & Young Hua Ming LLP (Special General Partnership) and Ernst & Young as the Company's external auditors in 2018 based on the principle of objectivity and impartiality. We also expressed our independent opinions. Ernst & Young Hua Ming LLP (Special General Partnership) and Ernst & Young have the relevant qualifications to engage in securities and futures businesses, and the experience and the capacity to provide audit services for listed companies over the years; they can satisfy the Company's relevant audit services in China and overseas in 2018 as well as independently audit the Company's financial conditions.

(VII) Cash dividends and other investor returns

The 4th meeting of the fifth session of the Board of Directors of the Company and the 2017 annual general meeting reviewed and approved the profit distribution plan for 2017 and distributed RMB2 (tax inclusive) for every 10 Shares to all Shareholders of A Shares and H Shares with cash dividends at a total of RMB922.16 million.

We believe that the Company's profit distribution plan for 2017 was in line with the Company's actual situation and complied with the requirements on cash dividend as set out in Guidance on Distribution of Cash Dividends by Listed Companies and the Articles of Association, without prejudice to the interests of the Company and other Shareholders, especially minority Shareholders and non-related Shareholders. The procedures and results of the voting by the Company's Board of Directors on the "Profit Distribution Plan for 2017" were in compliance with the Company Law, other relevant laws, regulations, normative documents and the Articles of Association.

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

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

We reviewed the written confirmation letter issued by Everbright Group and its compliance with and implementation of the non-competition undertaking, and we believe that there was no substantial competition and no possibility of substantial competition between Everbright Group, wholly-owned subsidiaries normally operated by Everbright Group and business operated by companies substantially controlled by Everbright Group, and the business operated by Everbright Securities and its subsidiaries, with securities company as the operating entity under the supervision of relevant securities regulators, during the financial year from January 1, 2017 to December 31, 2017. Therefore, Everbright Group has complied with the non-competition undertaking during the financial year from January 1, 2017 to December 31, 2017.

(IX) Implementation of information disclosure

During the Reporting Period, the Company fulfilled the obligation of information disclosure in according to the principles of "openness, fairness and impartiality". The Company disclosed 63 provisional announcements, 4 periodic reports and 12 monthly financial data briefs throughout the year.

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

(X) Implementation of internal control

We carefully reviewed the Board of Directors' Internal Control Evaluation Report for 2017, and believed that the Company has implemented internal control standards. During the Reporting Period, the Company further revised and improved various internal management systems and enhanced the internal control system continuously. The Company has put in place

an internal control system on businesses and matters included into the scope of assessment, covering all segments of the Company's operation. In compliance with the requirements of relevant national laws, regulations and departmental rules, the Company's various operating activities are carried out strictly in accordance with the relevant systems. Various internal control measures of the Company are strict, adequate and effective, which can meet the Company's actual conditions and ensure the Company's normal operations and management.

(XI) Changes to Accounting Policies

Before the convening of the 4th meeting of the fifth session of the Board of Directors, we carried out research and studies on the changes to the Company's accounting policies. Changing the accounting policies was a reasonable move conducted under the relevant requirements of relevant document promulgated by the Ministry of Finance. The changes enabled the accounting policies of the Company to meet the relevant requirements of the Ministry of Finance, China Securities Regulatory Commission and Shanghai Stock Exchange, reflect the financial conditions and the operating results of the Company in an objective and fair manner, as well as align with the interests of the Company and the Shareholders. The review procedure of changing the accounting policies satisfied the requirements of relevant laws and regulations and the requirements under the Articles of Association of Everbright Securities Company Limited. We agreed to the changes to accounting policies.

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

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

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

The risks arisen in a private equity investment project of a wholly-owned subsidiary reflected that the subsidiary management and control mechanism shall be improved, and the Company's management and control over the subsidiaries is inadequate, and there were defects in internal control. As Independent Directors, we will supervise the management of the Company to improve various control systems in subsidiaries, improve internal control working mechanism and strengthen the control over subsidiaries. At the same time, the Company is taking effective measures to properly defuse relevant risks and to actively safeguard the legitimate rights and interests of the Company and all shareholders.

IV. OVERALL APPRAISAL AND RECOMMENDATIONS

In 2018, with an honest, diligent and conscientious attitude, we carefully reviewed the meeting documents of the Board of Directors, issued independent opinions, paid attention to the Company's information disclosure and financial market environment, maintained close communication with the Company, and actively participated in the Company's research work, achieving our goal of being honest, diligent and conscientious.

In 2019, we will continue to perform our duties independently, strengthen our communication and collaboration with the Company, jointly protect the scientific and efficient performance of the functions of the Board of Directors, strive to contribute more to corporate governance, business development, internal control and risk management, and earnestly safeguard the Company's overall interests and the legitimate rights and interests of minority Shareholders.

Independent Directors:

**Xu Jingchang, Xiong Yan, Li Zheping,
Au Sing Kun, Wang Yong**