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

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 6178)

**ANNOUNCEMENT IN RELATION TO THE PROVISIONS FOR
ESTIMATED LIABILITIES AND ASSETS IMPAIRMENT**

This announcement is made by Everbright Securities Company Limited (the “**Company**”) pursuant to the Inside Information Provisions (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and Rule 13.09(2) and Rule 13.10B of the Listing Rules.

The 15th meeting of the fifth session of the Board of Directors (the “**Board**”) and the 11th meeting of the fifth session of the Supervisory Committee (the “**Supervisory Committee**”) of the Company considered and approved the resolution in relation to the provisions for estimated liabilities and assets impairment. Details in respect of the resolution are set out below:

1. OVERVIEW OF THE PROVISIONS FOR ESTIMATED LIABILITIES AND ASSETS IMPAIRMENT

According to the relevant requirements of the Accounting Standards for Business Enterprises and the accounting policies of the Company, in order to truthfully and fairly reflect the financial condition of the Company as at 30 June 2019 and its operating results from January to June 2019, upon the assessment of the progress of litigations and significant subsequent events and various financial assets by the Company based on the expected credit loss model, the Company made provisions for impairment on estimated liabilities and individual significant financial assets totaling RMB688,589,200 in 2019, which has already exceeded 10% of the audited net profit in 2018. The details are shown in the table below:

Unit: RMB0'000

Item	Amount of provisions
Estimated liabilities	29,993.80
Items	Amount of provisions for impairment on assets
Financial assets held under resale agreements	20,610.40
Debt investment	18,254.72
Total	68,858.92

Note: the above data has not been audited.

2. IMPACT OF THE PROVISIONS FOR ESTIMATED LIABILITIES AND ASSETS IMPAIRMENT ON THE COMPANY

The Company made provision for impairment on estimated liabilities and individual assets totaling RMB688,589,200 in the consolidated financial statements from January to June 2019, resulting in a decrease of RMB688,589,200 in profit and a decrease of RMB526,426,400 in net profit from January to June 2019.

3. DETAILS ON THE PROVISIONS FOR ESTIMATED LIABILITIES AND ASSETS IMPAIRMENT

(1) Estimated Liabilities

On February 2, March 2, March 20 and June 1, 2019, the Company published the Announcement on an Important Matter of a Wholly-owned Subsidiary, the Progress Announcement of Everbright Securities Company Limited, the Announcement in Relation to the Provisions for Estimated Liabilities and Assets Impairment and the Announcement on Update of Important Matters Relating to a Wholly-Owned Subsidiary and Litigation Involved (Announcement No.: LIN 2019-008, LIN 2019-012, LIN 2019-016, LIN 2019-037), and disclosed the matters in relation to the Company's wholly-owned subsidiary, Everbright Capital Investment Co., Ltd. ("**Everbright Capital**") and their progress.

Recently, the impact of the relevant circumstances of MPS incident resulted in adjustments after the balance sheet date in estimated liabilities. The Company's new provision for the first half of 2019 for estimated liabilities is RMB299,938,000. As of the end of June 2019, the aggregate amount of provision made for estimated liabilities is RMB1,699,938,000. In the future, depending on the progress of the matter, the possibility of adjusting the estimated liabilities in accordance with accounting standards is not excluded.

(2) Financial assets held under resale agreements

The fund receiver carried out stock pledged repurchase transaction business in the Company with its *ST Huaxin shares as pledge, and secured financing balance of RMB630 million. However, the fund receiver failed to fulfil the repurchase obligation and breached the agreement. It is estimated that the provision for impairment in the first half of 2019 is RMB206.104 million. As of the end of June 2019, impairment of RMB444,773,300 in aggregate has been provided for this transaction.

(3) Debt investment

- (i) The Company holds “17 Kangmei MTN003” bonds issued by Kangmei Pharmaceutical Co. Ltd., which were purchased at a cost of RMB80,000,000. There is a large uncertainty in the issuer’s ability to repay the bonds. It is estimated that the provision for impairment in 2019 is RMB71,776,800. As at the end of June 2019, the amount of accumulated provision amounts to RMB71,779,800 for this transaction.
- (ii) A subsidiary of the Company holds the debt products issued by Shanghai Huaxin Financial Holding Co., Ltd. (上海華信金融控股有限公司), which were purchased at a cost of RMB110,770,400. The issuer failed to fulfill its obligations of repaying the principal and interest upon maturity. It is estimated that the provision for impairment in 2019 is RMB110,770,400.

4. OPINIONS OF INDEPENDENT DIRECTORS ON THE PROVISIONS FOR ESTIMATED LIABILITIES AND ASSETS IMPAIRMENT

The independent directors of the Company are of the view that the provisions for estimated liabilities and assets impairment are in compliance with the Accounting Standards for Business Enterprises and the accounting policy of the Company, and does not prejudice the interest of the Company and its shareholders as a whole, in particular the interest of minority shareholders.

5. OPINIONS OF THE AUDIT COMMITTEE OF THE BOARD ON THE PROVISIONS FOR ESTIMATED LIABILITIES AND ASSETS IMPAIRMENT

The audit committee of the Board is of the view that the provisions for estimated liabilities and assets impairment are in compliance with the Accounting Standards for Business Enterprises and the accounting policy of the Company, and does not prejudice the interest of the Company and its shareholders as a whole, in particular the interest of minority shareholders.

6. OPINIONS OF THE SUPERVISORY COMMITTEE ON THE PROVISIONS FOR ESTIMATED LIABILITIES AND ASSETS IMPAIRMENT

The Supervisory Committee of the Company is of the view that the provisions for estimated liabilities and assets impairment are in compliance with the Accounting Standards for Business Enterprises and the accounting policy of the Company, the decision-making process is proper and do not prejudice the interest of the Company and its shareholders as a whole, in particular the interest of minority shareholders.

7. OTHER RELEVANT INFORMATION

The Company wishes to remind the investors that they shall refer to the relevant announcements published by the Company on the websites of Shanghai Stock Exchange (www.sse.com.cn) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and on the designated information disclosure medias, such as China Securities Journal, Shanghai Securities Journal, Securities Times and Securities Daily for relevant information. Investors are advised to exercise caution when making investment and be aware of investment risks.

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

Shanghai, the PRC
August 27, 2019

As at the date of this announcement, the Board of the Company comprises Mr. Yan Jun (Chairman, 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).