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海通证券股份有限公司
HAITONG SECURITIES CO., LTD.*

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 6837)

ANNOUNCEMENT IN RELATION TO PROVISION FOR ASSETS IMPAIRMENT

This announcement is made by Haitong Securities Co., Ltd. (the “**Company**”) pursuant to 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 (Chapter 571, Laws of Hong Kong) and Rule 13.09(2) and Rule 13.10B of the Listing Rules.

I. OVERVIEW OF THE PROVISION FOR ASSET IMPAIRMENT

In accordance with the Accounting Standards for Business Enterprises and the Company’s relevant accounting policies, the Company and its subsidiaries have made preliminary assessment on various assets subject to impairment as of 31 December 2023. From July 2023 to December 2023, the Company made provision for impairment losses on credit of RMB1,903.5597 million and made provision for impairment losses on other assets of RMB18.0293 million. The Company made provision for impairment losses on assets of RMB1,921.5890 million in total, accounting for over 10% of the audited net profit of the Company for the year 2022. The details are as follows:

Unit: RMB’0,000

Item	Provision amount from July 2023 to December 2023
I. Credit impairment loss	190,355.97
Of which: Advances to customers on margin financing	96,397.71
Long-term receivables	48,374.75
Finance lease receivables	24,399.03
Other loans and receivables	9,257.17
Financial assets held under resale agreements	8,238.46
Others	3,688.85
II. Impairment losses on other assets	1,802.93
Total	192,158.90

II. THE IMPACT OF THE PROVISION FOR ASSET IMPAIRMENT ON THE COMPANY

Based on the preliminary assessment, from July 2023 to December 2023, the Company made aggregated provision for asset impairment of RMB1,921.5890 million in the consolidated statements, as a result of which, the Company recorded a decrease of RMB1,921.5890 million and RMB1,681.0524 million in the total profit and net profit, respectively.

III. DETAILS OF THE PROVISION FOR ASSET IMPAIRMENT

1. Advances to customers on margin financing

From July 2023 to December 2023, the provision for impairment of advances to customers on margin financing was RMB964 million.

For the business of advances to customers on margin financing, the Company comprehensively assessed the expected recoverable cash flow of the financing entities according to the characteristics of the financing entities and changes in expected disposal and realization of collateralized securities, calculated the related expected credit loss using the Probability of Default (PD)/Loss Given Default (LGD) method or an individual impairment assessment, and made the provision for relevant impairment.

2. Long-term receivables

From July 2023 to December 2023, the provision for impairment of long-term receivables was RMB484 million.

For sale-and-leaseback business, the Company assessed the related expected credit loss and determined the corresponding provision for credit loss according to the changes in credit risks of long-term receivables, and calculated the related expected credit loss using the Probability of Default (PD)/Loss Given Default (LGD) method or an individual impairment assessment, and made the provision for relevant impairment.

3. Finance lease receivables

From July 2023 to December 2023, the provision for impairment of finance lease receivables was RMB244 million.

For financial leasing business, the Company assessed the related expected credit loss and determined the corresponding provision for credit loss according to the changes in credit risks of finance lease receivables, and calculated the related expected credit loss using the Probability of Default (PD)/Loss Given Default (LGD) method or an individual impairment assessment, and made the provision for relevant impairment.

4. Other loans and receivables

From July 2023 to December 2023, the provision for impairment of other loans and receivables was RMB93 million.

For other loans and receivables, recoverability was assessed comprehensively based on factors such as the latest status of other loans and receivables, publicly available or accessible information about the borrowers, the value of collaterals and pledges and the latest financial position of the borrowers and guarantors. The impairment was provided based on the difference between the recoverable amount and the outstanding loan amount at the end of the period.

5. Financial assets held under resale agreements

From July 2023 to December 2023, the provision for impairment of financial assets held under resale agreements was RMB82 million.

For stock pledge and repo business, the Company calculated the related expected credit loss using the Probability of Default (PD)/Loss Given Default (LGD) method or an individual impairment assessment, comprehensively assessed the expected recoverable cash flow of the financing entities according to the expected disposed and realized values of collateralized securities and made the provision for impairment of the part expected to fail to cover the risk exposure after discount.

6. Others

In addition to the aforementioned impairment losses on assets such as advances to customers on margin financing, long-term receivables, finance lease receivables, other loans and receivables and financial assets held under resale agreements, the Company identified and assessed other credit risks it faced and carried out impairment test on other assets based on the nature of other types of business. According to the Accounting Standards for Business Enterprises and the Company's relevant accounting policies and administrative measures, the Company made a provision for impairment of others of RMB55 million in total from July 2023 to December 2023.

IV. OPINIONS OF INDEPENDENT NON-EXECUTIVE DIRECTORS ON THE COMPANY'S PROVISION FOR ASSET IMPAIRMENT

The independent non-executive directors of the Company believed that the provision for asset impairment of the Company complied with the Accounting Standards for Business Enterprises and the Company's relevant accounting policies, and was based on sufficient basis, the decision-making procedures therefor were in compliance with relevant laws and regulations and the Articles of Association, and there is no harm to the interests of the Company and all shareholders, especially minority shareholders.

V. OPINIONS OF THE AUDIT COMMITTEE UNDER THE BOARD OF THE COMPANY ON THE COMPANY’S PROVISION FOR ASSET IMPAIRMENT

The audit committee of the eighth session of the Board of the Company (the “**Audit Committee**”) considered and approved the Proposal of the Company on Provision for Asset Impairment at the second meeting in 2024. The Audit Committee believed that the provision for asset impairment of the Company complied with the Accounting Standards for Business Enterprises and the Company’s relevant accounting policies, and the accounting principle of prudence. The Company’s provision for asset impairment was approved.

VI. OPINIONS OF THE BOARD ON THE COMPANY’S PROVISION FOR ASSET IMPAIRMENT

The Proposal of the Company on Provision for Asset Impairment was considered and approved at the third meeting (extraordinary meeting) of the eighth session of the board of directors of the Company (the “**Board**”). The Board believed that the provision for asset impairment of the Company complied with the Accounting Standards for Business Enterprises and the Company’s relevant accounting policies, and was based on sufficient basis, and the decision-making procedures therefor were in compliance with relevant laws and regulations and the Articles of Association. The Board approved the Company’s provision for asset impairment.

VII. OPINIONS OF THE SUPERVISORY COMMITTEE ON THE COMPANY’S PROVISION FOR ASSET IMPAIRMENT

The Proposal of the Company on Provision for Asset Impairment was considered and approved at the third meeting (extraordinary meeting) of the eighth session of the supervisory committee of the Company (the “**Supervisory Committee**”). The Supervisory Committee believed that the provision for asset impairment complied with the Accounting Standards for Business Enterprises and the Company’s relevant accounting policies, and was based on sufficient basis, the decision-making procedures therefor were in compliance with relevant laws and regulations and the Articles of Association, and there is no harm to the interests of the Company and its shareholders. The Supervisory Committee approved the Company’s provision for asset impairment.

VIII. RISK WARNING

The above matters are the preliminary assessments by the Company on the provision for asset impairment from July 2023 to December 2023, which may differ from those to be disclosed in the annual report of the Company for the year of 2023, and are subject to the audited annual report. The Company will fulfill its obligations of information disclosure in a timely manner according to the requirements of relevant laws and regulations. Investors are reminded of the investment risks.

By order of the Board
Haitong Securities Co., Ltd.
ZHOU JIE
Chairman

Shanghai, the PRC
30 January 2024

As at the date of this announcement, the executive directors of the Company are Mr. ZHOU Jie and Mr. LI Jun; the non-executive directors of the Company are Mr. TU Xuanxuan, Mr. SHI Lei, Ms. XIAO Hehua and Mr. XU Jianguo; and the independent non-executive directors of the Company are Mr. ZHOU Yu, Mr. FAN Ren Da Anthony, Mr. MAO Fugen and Mr. MAO Huigang.

* *For identification purpose only*