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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 ON THE CHANGES IN ACCOUNTING POLICIES

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.

1. OVERVIEW

In December 2018, the Ministry of Finance of the People's Republic of China (the “**Ministry of Finance**”) amended and issued the Accounting Standards for Business Enterprises No. 21 – Leases (《企業會計準則第21號－租賃》) (the “**New Standards on Leases**”), which requires companies that are listed both domestically and overseas to adopt the standards, with effect from January 1, 2019. In the same month, the Ministry of Finance issued the Notice on Revising and Issuing the Format of Financial Statements of Financial Enterprises for 2018 (《關於修訂印發2018年度金融企業財務報表格式的通知》) (Cai Kuai [2018] No. 36), which requires adjustments to the presentation of financial reports for the year 2018 and subsequent periods.

The changes in accounting policies were considered and approved at the 13th meeting of the fifth session of the board of directors (the “**Board**”) and the 9th meeting of the fifth session of the supervisory committee (the “**Supervisory Committee**”) of the Company

2. DETAILED INFORMATION AND THE IMPACTS ON THE COMPANY

(1) Changes in accounting policy on leases

There are material changes in the New Standards on Leases in terms of, among others, identification, initial recognition, subsequent measurement, presentation and disclosure of leases, especially in terms of lease contracts which require the inclusion of the leased assets under the company assets and liabilities, respectively, with reference to, among others, the discounted future lease payments, and subsequently the depreciation on the corresponding assets and the calculation of interest expenses for the corresponding liabilities using the effective interest method. There is no material change in terms of leasing out, and leasing under finance leases.

Pursuant to the requirements of the current standards on leases, the lease expenses of the operating leased assets are recognized as relevant assets or expenses over the lease term. After the amendments, the lessee shall first identify whether it constitutes a lease, and then lease contracts that meet the definition of a lease are accounted for as required by the New Standards on Leases. At initial recognition, leased liabilities are recognized for operating leased assets at the present value of the outstanding lease payments on the commencement date of the lease while right-of-use assets are recognized at leased liabilities and other costs (such as initial expenses and restoration obligations). For subsequent measurement, right-of-use assets are depreciated and depreciation charges are recognized, while interest expenses of leased liabilities are recognized using the effective interest method. For short-term leases and leases of low value assets, the recognition of right-of-use assets and leased liabilities is optional. Meanwhile, the specific requirements for disclosure of financial reports were imposed in respect of related matters.

The impacts of the adoption of the New Standards on Leases on the Company are mainly reflected in the business premises leased by the Company. On the date of adoption of the New Standards on Leases, the Company adopted the new standards prospectively to make financial treatments of the existing leasing business by way of “measuring the lease liability at the present value discounted using the lessee’s incremental borrowing rate at the date of initial adoption based on the remaining lease payments, while using the amount equal to the lease liability to measure the right-of-use asset with necessary adjustments made to the prepaid rentals”.

For statement of financial position items, although there is an increase in both assets and liabilities due to the existence of operating lease contracts, it does not have a material impact on the financial position of the Company.

For statement of comprehensive income items, “interest expenses” provided for the corresponding leased liabilities using the effective interest method and “depreciation charges” provided for right-of-use assets were newly introduced under the New Standards on Leases, and the expenses of lease contracts of the recognized right-of-use assets and leased liabilities are no longer included in the “lease expenses”. The total expenses of the same lease contract will be characterized by “a gradual decline from a high level at the beginning (i.e. the total expenses will be high at the beginning of the lease term but will gradually decline year-by-year)”, but the total expenses for the lease term are equal to those under the current standards. Accordingly, it is expected that the impact on the Company’s operating income will be negative in the year of 2019 and beyond. The impact on the Company’s profit will also be negative in the year of 2019, but the impact may gradually become positive in the following years.

The impacts of the above changes in accounting policies on the Company’s revenue and profit for the year of 2019 and beyond are not material.

(2) Adjustments on the items presented on the financial statements

Pursuant to the requirements of the Notice on Revising and Issuing the Format of Financial Statements of Financial Enterprises for 2018 (《關於修訂印發2018年度金融企業財務報表格式的通知》) (Cai Kuai [2018] No. 36) issued by the Ministry of Finance, adjustments were carried out on the regular financial reports and the notes thereon for the year 2018 and subsequent periods. The impacts of such adjustments on the assets, liabilities, profit/loss and cash flow of the Company are not material.

3. CONCLUSIVE OPINIONS OF INDEPENDENT DIRECTORS AND THE SUPERVISORY COMMITTEE ON THE CHANGES IN ACCOUNTING POLICIES OF THE COMPANY

The independent directors of the Company are of the view that the changes in the accounting policies are made pursuant to the relevant requirements of the documents issued by the Ministry of Finance and are in compliance with the relevant requirements of the regulatory authorities, such as the Ministry of Finance, the China Securities Regulatory Commission and the Shanghai Stock Exchange; the changes can reflect the Company's financial position and operating results in a more realistic and fair manner, and are in line with the interests of the Company and its shareholders; the decision-making procedure for the changes in the accounting policies complied with the requirements of the relevant laws, regulations and the articles of association of Everbright Securities Company Limited (the “**Articles of Association**”).

The Supervisory Committee of the Company is of the view that the changes in the accounting policies are made pursuant to the relevant requirements of the documents issued by the Ministry of Finance and are in compliance with the relevant requirements of the regulatory authorities, such as the Ministry of Finance, the China Securities Regulatory Commission and the Shanghai Stock Exchange; the changes can reflect the Company's financial position and operating results in a more realistic and fair manner, and are in line with the interests of the Company and its shareholders; the decision-making procedure for the changes in the accounting policies complied with the requirements of the relevant laws, regulations and the Articles of Association.

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

Shanghai, the PRC
March 27, 2019

As at the date of this announcement, 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).