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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 20th meeting of the fifth session of the board of directors of the Company (the “**Board**”) and the 13th meeting of the fifth session of the supervisory committee of the Company (the “**Supervisory Committee**”) were convened on January 22, 2020, at which the resolution in relation to the provisions for estimated liabilities and assets impairment was considered and approved. Details in respect of the resolution are set out below:

**I. SUMMARY OF THE PROVISIONS FOR ESTIMATED LIABILITIES AND ASSETS
IMPAIRMENT**

In accordance with the relevant provisions of the Accounting Standards for Business Enterprises and the accounting policies of the Company, in order to reflect truly and fairly the financial positions of the Company as at December 31, 2019 and the operating results for 2019, the Company carried out an assessment to the projects or assets within the scope of consolidation in accordance with prudent principles at the subsidiary level. Save as disclosed in the announcement of the Company dated 10 January 2020 in relation to the provision for assets impairment, after preliminary communication with the Company’s accountant, the Company made provisions for estimated liabilities and individual significant asset impairments in the second half of 2019 totalled RMB1,644.26 million. The details are set forth in the table below:

Items	Amount of provisions
1. Estimated Liabilities	130,148
2. Goodwill	26,392
3. Debt Investment	7,886
Total	164,426

II. EFFECT OF THE PROVISIONS FOR ESTIMATED LIABILITIES AND ASSETS IMPAIRMENT ON THE COMPANY

Based on the above disclosure, the provisions for estimated liabilities and individual significant asset impairments made by the Company at the subsidiary level has totalled RMB1,644.26 million in the second half of 2019, and as a result of which, the total profit and the net profit of the Company for 2019 are expected to decrease by RMB1,644.26 million and RMB1,330.44 million, respectively.

III. DETAILS OF PROVISIONS FOR ESTIMATED LIABILITIES AND ASSETS IMPAIRMENT

(1) Estimated Liabilities

On February 2, 2019, March 2, 2019 and June 1, 2019, the Company published the Announcement on an Important Matter of a Wholly-owned Subsidiary (Announcement No.: LIN 2019-008), the Progress Announcement (Announcement No.: LIN 2019-012) and the Announcement on Update of Important Matters Relating to a Wholly-Owned Subsidiary and Litigation Involved (Announcement No.: LIN 2019-037) respectively, and disclosed the matters of MPS in relation to its wholly-owned subsidiary, Everbright Capital Investment Co., Ltd. (“Everbright Capital”) and their progress.

The investment duration of Shanghai JinXin Investment Consultancy Partnership Enterprise (Limited Partnership) (上海浸鑫投資諮詢合夥企業(有限合夥)) (“**JinXin Fund**”), of which Everbright JinHui Investment Management (Shanghai) Co., Ltd. (光大浸輝投資管理(上海)有限公司) (“**Everbright JinHui**”), a subsidiary of Everbright Capital, serves as the executive partner, expired as at February 25, 2019. Due to the risk of the investment project, JinXin Fund failed to exit as originally planned. Each of stakeholders of the senior-tranche limited partners presented a “Letter of Makeup of Shortfall” with the seal of Everbright Capital affixed, the main contents of which are that Everbright Capital shall have the obligation to make up the corresponding shortfall to the extent the senior-tranche limited partners are unable to exit their investments with indicated returns. In 2018, taking into account the professional advices provided by the attorneys engaged, the Company was of the view that the judgement over the nature of its obligation to make up the shortfall was uncertain. Based on the above, after taking into account the repurchase agreement signed between Baofeng Group and its actual controllers Feng Xin (as the relevant investment party), Everbright JinHui, the commitment letter issued by Feng Xin to Everbright Capital and Everbright JinHui, and the market value of equity interest pledged by Feng Xin to the senior-tranche limited partners, as well as the deduction of its current obligations by the adoption of overseas recovery measures, the Company made a provision for estimated liabilities of RMB1.4 billion in 2018.

At present, according to the announcements of relevant parties and based on the situation known to the Company, Baofeng Group had continued to announce the risk of being suspended for listing from August 29, 2019, and published an announcement on November 27, 2019 disclosing the halt of its principal business. Feng Xin, the actual controller of Baofeng Group, has been detained on suspicion of committing bribery to non-state functionaries. Currently, Baofeng Group and its actual controller Feng Xin are unable to fulfil their repurchase and undertaking obligations. In addition, the progress and legal proceedings of domestic and overseas lawsuits relating to the MPS matters and the “Letter of Makeup of Shortfall” are relatively complicated, and there are still many uncertainties as to the relevant domestic and overseas litigations, arbitrations and overseas claims. Taking the above factors into consideration, the Company has made a provision for the estimated liabilities totalling RMB1,301.48 million in the second half of 2019, in accordance with the relevant provisions in the Accounting Standards for Business Enterprises No. 13 – Contingencies on the recognition of estimated liabilities and in the principle of prudence.

(2) Goodwill

Everbright Securities Financial Holdings Limited (光大證券金融控股有限公司) (“**ESF**”), a wholly-owned subsidiary of the Company, acquired Everbright Securities (International) Co., Ltd. (光大證券(國際)有限公司) (“**ESI**”) and Sun Hung Kai Financial Group Limited (新鴻基金融集團有限公司) (“**SHK Financial**”) respectively in 2011 and 2015, forming a goodwill totalled RMB1,687.60 million (calculated based on the exchange rate at the end of 2019). Due to the business integration, ESF recognized ESI and SHK Financial as one cash-generating unit in a whole, and allocated the goodwill to the cash-generating unit. After comparing the recoverable amount of the cash-generating unit with the book value at the date of balance sheet, the Company made provisions for goodwill impairment of RMB166.39 million and RMB216.82 million in 2014 and 2017 respectively (calculated based on the average exchange rate during the relevant period). After assessing the market environment and operating conditions of the cash-generating unit, the Company has made goodwill impairment of RMB263.92 million (calculated based on the average exchange rate of the relevant period) in the second half of 2019, and the accumulative provision for goodwill impairment has reached RMB680.79 million (calculated based on the exchange rate as at the end of 2019).

(3) Debt Investment

The wholly-owned subsidiary of the Company Everbright Fortune Investment Co., Ltd. (光大富尊投資有限公司) holds a debt investment with a book value of RMB78.86 million. The Company expected that it cannot recover such debt investment and made a provision of RMB78.86 million in the second half of 2019.

IV. 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.

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

The audit committee under 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.

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

The Supervisory Committee 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 do not prejudice the interest of the Company and its shareholders as a whole, in particular the interest of minority shareholders. The decision-making process is proper and is in compliance with the relevant laws and regulations and the Articles of Association of the Company.

VII. OTHER RELEVANT INFORMATION

The above matters are the preliminary assessments by the Company of the estimated liabilities and assets impairment. The final provision of impairment is subject to the audited annual report. At present, the operating management of the Company is normal, the financial position of the Company is stable, and the liquidity of the Company is sufficient. The Company's financial position could be truly reflected after this provision. The Company will perform its information disclosure obligations in a timely manner in accordance with relevant laws and regulations and the assessment results. Investors are reminded to pay attention to investment risks.

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

Shanghai, the PRC
January 22, 2020

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