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中州证券

Central China Securities Co., Ltd.

(a joint stock company incorporated in 2002 in Henan Province, the People's Republic of China with limited liability under the Chinese corporate name “中原证券股份有限公司” and carrying on business in Hong Kong as “中州证券”)

(Stock Code: 01375)

ANNOUNCEMENT IN RELATION TO PROVISION FOR IMPAIRMENT OF ASSETS

This announcement is made by the board of directors (the “**Board**”) of Central China Securities Co., Ltd. (the “**Company**”) pursuant to Rules 13.09 and 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

On 30 October 2019, the Company convened the twelfth meeting of the sixth session of the Board and the ninth meeting of the sixth session of the Supervisory Committee, and considered and approved the Proposal on the Provision for Impairment of Assets. The details are as follows:

1. Summary of provision for impairment of assets

Based on the Accounting Standards for Business Enterprises and relevant requirements of the accounting policies of the Company, in order to reflect the financial position as of 30 September 2019 and the operating results for the third quarter of 2019 of the Company accurately and objectively, the Company and its subsidiaries conducted comprehensive check and impairment testing of various items such as financial assets, inventories and long-term assets, and made provision for credit impairment with an

amount of RMB69.5109 million and provision for impairment of other assets with an amount of RMB4.6219 million, totalling to RMB74.1328 million (the “**Provision for Impairment of Assets**”) for the third quarter of 2019. The details are set out as follows:

Items	Amount for the third quarter of 2019 (RMB’0,000)
1. Provision for credit impairment	6,951.09
Including: Financial assets held under resale agreements	5,908.82
Debt investments	638.66
Financing funds	201.22
Receivables	169.57
Others	32.82
2. Provision for impairment of other assets	462.19
Including: Bulk commodity trading inventory	462.19
Total	7,413.28

The above figures are based on a preliminary review by the Company, which are unaudited and are subject to the amounts as confirmed under the annual audit by the accounting firm.

2. The impact of provision for impairment of assets on the Company

The Company’s provision for impairment of assets in the consolidated financial statements for the third quarter of 2019 amounted to RMB74.1328 million in total, as a result of which, the total profit for the third quarter of 2019 decreased by RMB74.1328 million.

3. Details of provision for impairment of assets

(1) Provision for credit impairment

1. *Financial assets held under resale agreements*

Based on the Accounting Standards for Business Enterprises and relevant accounting policies of the Company, the expected credit losses method was adopted to make provision for impairment of RMB59.0882 million for the financial assets held under resale agreements for the third quarter of 2019, mainly due to the Company's provision for impairment of RMB59.1895 million for the stock pledge business involving Shenwu Energy Saving Co., Ltd. (Stock Code: 000820.SZ, "**Shenwu Energy Saving**", the shares of which has been implemented *ST), Guangdong Silver Age Sci & Tech Co., Ltd. (Stock Code: 300221.SZ, "**Silver Age**"), Henan Kedi Dairy Co., Ltd. (Stock Code: 002770.SZ, "**Kedi Dairy**"), Great Wall Movie and Television Co., Ltd. (Stock Code: 002071.SZ, "**Great Wall Movie and Television**") and the reverse of provision for impairment of RMB0.1013 million due to such reasons as decrease of the scale of financial assets held under resale agreements. The details are as follows:

The receiver, Shenwu Technology Group Corporation Limited* (神霧科技集團股份有限公司), pledged the stocks of Shenwu Energy Saving and currently the scale of financing amounted to RMB200 million. In the third quarter of 2019, the share price of the pledged stocks continued to drop. After estimating the recoverable amount of pledged equities and other judicially frozen assets, the Company expected that there was a difference between the cash flows receivable from the contract and the cash flows expected to be received. It is estimated that the provision for credit impairment for the period from July to September 2019 amounted to RMB8.1180 million and the accumulated provision for credit impairment amounted to RMB168.4643 million.

The receiver, Shihezi Ruichen Equity Investment Partnership (Limited Partnership)* (石河子市瑞晨股權投資合夥企業(有限合夥)), pledged the stocks of Silver Age and currently the scale of financing amounted to RMB187.9998 million. In the third quarter of 2019, the share price of the pledged stocks continued to drop. After estimating the recoverable amount of pledged equities and other judicially frozen assets, the Company expected that there was a difference between the cash flows receivable from the contract and the cash flows expected to be received. It is estimated that the provision for credit impairment for the period from July to September 2019 amounted to RMB10.2683 million and the accumulated provision for credit impairment amounted to RMB46.9529 million.

The receiver, Kedi Food Group Holdings Co., Ltd.* (科迪食品集團股份有限公司), pledged the stocks of Kedi Dairy and currently the scale of financing amounted to RMB305.0083 million. The failure to make timely payment for the collateral below the close-out level and to repurchase after expiry constituted an event of default. After estimating the recoverable amount of its pledged equities and other pledged assets for credit enhancement, the Company expected that there was a difference between the cash flows receivable from the contract and the cash flows expected to be received. It is estimated that the provision for credit impairment for the period from July to September 2019 amounted to RMB18.6272 million and the accumulated provision for credit impairment amounted to RMB22.9603 million.

The receiver, Great Wall Film & Culture Company Group Limited* (長城影視文化企業集團有限公司), pledged the stocks of Great Wall Movie and Television and currently the scale of financing amounted to RMB200 million. The failure to make timely payment for the collateral below the close-out level and to repurchase after expiry constituted an event of default. After estimating the recoverable amount of pledged equities and other judicially frozen assets, the Company expected that there was a difference between the cash flows receivable from the contract and the cash flows expected to be received. It is estimated that the provision for credit impairment for the period from July to September 2019 amounted to RMB22.1760 million and the accumulated provision for credit impairment amounted to RMB27.1280 million.

2. Others

Based on the Accounting Standards for Business Enterprises and relevant accounting policies of the Company, the expected credit losses method was adopted to make provision for impairment totalling RMB10.4227 million for financial assets such as the Company's debt investments, financing funds and receivables for the period from July to September 2019.

(2) Provision for impairment of other assets

The subsidiaries of the Company made provision for decline in value of inventories as the net realizable value of bulk commodity trading inventory is below cost. It is estimated that the provision for decline in value for the period from July to September 2019 amounted to RMB4.6219 million and the provision for decline in value for the period from January to September amounted to RMB8.5340 million.

4. Opinions of independent non-executive directors on the Company's provision for impairment of assets

The independent non-executive directors of the Company are of the view that the Provision for Impairment of Assets has sufficient basis and standardized decision-making process, which is in compliance with the Accounting Standards for Business Enterprises and the accounting policies of the Company. It accurately and objectively reflects the financial position as of 30 September 2019 and the operating results for the third quarter of 2019 of the Company, which is in the interests of the Company as a whole, and helps to provide investors with more authentic, reliable and accurate accounting information. Its decision-making process is in compliance with relevant laws, regulations and the provisions of the Articles of Association of the Company, and does not prejudice the interests of the Company and all of its shareholders, especially the minority shareholders. The Provision for Impairment of Assets is agreed.

5. The audit committee's opinion on the Company's provision for impairment of assets

The audit committee under the Board is of the view that the Provision for Impairment of Assets has sufficient basis and standardized decision-making process, which is in compliance with the Accounting Standards for Business Enterprises and the accounting policies of the Company. It accurately and objectively reflects the financial position as of 30 September 2019 and the operating results for the third quarter of 2019 of the Company, which is in the interests of the Company as a whole, and helps to provide investors with more authentic, reliable and accurate accounting information. Its decision-making process is in compliance with relevant laws, regulations and the provisions of the Articles of Association of the Company, and does not prejudice the interests of the Company and all of its shareholders, especially the minority shareholders.

6. Opinions of the Supervisory Committee on the Company's provision for impairment of assets

The Supervisory Committee of the Company is of the view that the Provision for Impairment of Assets is in compliance with the Accounting Standards for Business Enterprises and the accounting policies of the Company. The procedures are legal with sufficient basis. After the provision for impairment, the actual condition of assets and financial position of the Company can be fairly reflected.

By order of the Board of
Central China Securities Co., Ltd.
Jian Mingjun
Chairman

Henan, the PRC
30 October 2019

As at the date of this announcement, the Board comprises executive directors Mr. JIAN Mingjun and Mr. CHANG Junsheng, non-executive directors Mr. LI Xingjia, Mr. WANG Lixin, Mr. TIAN Shengchun, Mr. ZHANG Xiaoqi and Mr. LU Benson Cheng, and independent non-executive directors Mr. YUEN Chi Wai, Mr. NING Jincheng, Mr. YU Xugang and Ms. ZHANG Dongming.

* *For identification purpose only*