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(A joint stock company incorporated in the People's Republic of China with limited liability under the Chinese corporate name "东方证券股份有限公司" and carrying on business in Hong Kong as "東方證券" (in Chinese) and "DFZQ" (in English))

(Stock Code: 03958)

ANNOUNCEMENT ON THE CHANGES OF ACCOUNTING POLICIES

The tenth meeting of the fourth session of the board of directors (the "**Board**") and the sixth meeting of the fourth session of the supervisory committee (the "**Supervisory Committee**") of 東方證券股份有限公司 (the "**Company**") were convened on March 28, 2019, at which the resolution in relation to the changes of accounting policies of the Company was considered and approved.

I. OVERVIEW OF THE CHANGES OF ACCOUNTING POLICIES

In December 2018, the Ministry of Finance of the PRC (the "**MOF**") amended and issued the Accounting Standards for Business Enterprises No. 21 – Leases (《企業會計準則第21號—租賃》) (Cai Kuai [2018] No. 35) (collectively referred to as the "**New Standards on Leases**"), "Notice on the Revision and Issuance of the Format of the Financial Statements of the Financial Enterprise 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) (collectively referred to as the "**New Format of the Financial Statements of the Financial Enterprise**").

According to the requirements of the MOF, the Company implemented the New Standards on Leases since January 1, 2019 and reported in accordance with the revised format of the financial statements of the financial enterprise in the 2018 annual report.

II. DETAILS OF THE CHANGES OF ACCOUNTING POLICIES AND THE IMPACT ON THE COMPANY

(1) New Standards on Leases

1. Contents of the changes in accounting policies: There are changes in the New Standards on Leases in terms of identification, recognition, initial measurement, subsequent measurement, presentation and disclosure of leases, especially in terms of the accounting treatment of the lessee which requires recognition of right-of-use assets and lease liabilities for leases in initial measurement. In subsequent measurement, the right-of-use assets are depreciated and interest expenses for the lease liabilities are calculated using the effective interest method. There are no material changes in the accounting treatment of the lessor.
 - (1) Identification and recognition: 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.
 - (2) Initial measurement: 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).
 - (3) Subsequent measurement: 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.
 - (4) Exceptional situation: For short-term leases and leases of low value assets, the recognition of right-of-use assets and leased liabilities is optional. The relevant asset costs or current profit and loss are accounted for in respective periods of the lease using the straight-line method or other systematic method.
2. Major Impacts: 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.
 - (1) On the date of adoption of the New Standards on Leases, the Company intended to make financial treatments by way of “measuring leased liabilities at the present value discounted using the lessee’s incremental borrowing rate at the date of initial adoption and the amount equal to leased liabilities with necessary adjustment to measure the right-of-use assets based on prepaid rent”.
 - (2) For balance sheet 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 overall financial position of the Company.

- (3) For income statement items, “interest expenses” provided for leased liabilities using the effective interest method and “depreciation charges” provided for right-of-use assets were introduced under the New Standards on Leases. Relevant expenses are no longer included in the “rental expenses”. The total expenses for the lease term are equal to those under the current standards. Accordingly, the impact of the above changes in accounting policies on the Company’s revenue and profit for the year of 2019 and beyond is not material.

(2) New Format of the Financial Statements of the Financial Enterprise

- 1. Contents of the changes: The main contents of the changes of the New Format of the Financial Statements of the Financial Enterprise are the revision of certain presentation items of the balance sheets and income statements.
 - (1) For balance sheet items, new items such as “transactional financial assets”, “debt investment”, “other debt investment” and “other equity investments” are introduced and items such as “financial assets at fair value through profit or loss”, “available-for-sale financial assets”, “hold-to-maturity investments”, “interest receivables” and “interest payables” are deleted.
 - (2) For income statement items, new items such as “credit impairment loss” and “other asset impairment losses” are introduced and items such as “asset impairment loss” and “available-for-sale financial assets at fair value through profit or loss” are deleted.
 - (3) The presentation of “net interest income” has changed. The “net interest income” after the change includes classification as financial assets at amortized cost and classification as financial assets at fair value through other comprehensive income. The interest income of financial assets is calculated using the effective interest method.
- 2. Impact of changes: The changes of the above presentation items only affect the format of the Company’s financial statements and do not have a significant impact on the Company’s revenue and profit for the year 2018 and beyond.

III. EXPLANATION OF INDEPENDENT DIRECTORS ON THE CHANGES OF ACCOUNTING POLICIES

The independent directors are of the view that the changes of accounting policies and adjustment on relevant financial information of the Company are in compliance with relevant regulations of the MOF and the China Securities Regulatory Commission (the “CSRC”) as well as the actual needs of the Company. It can objectively and fairly reflect the current financial status and operating results of the Company with no prejudice on the interests of the Company and its shareholders; the decision-making process complies with the relevant laws and regulations and the articles of association of the Company. Therefore, the independent directors agree the changes of accounting policies and adjustment of the relevant financial information.

IV. EXPLANATION OF THE SUPERVISORY COMMITTEE ON CHANGES OF ACCOUNTING POLICIES

The Supervisory Committee is of the view that the changes of accounting policies are reasonable changes according to the requirements of the MOF, which will make the accounting policies of the Company be in line with the relevant regulations of the MOF, the CSRC and Shanghai Stock Exchanges, and can be objectively and fairly reflecting the financial status and operating results of the Company without causing any prejudice against the interest of the Company and its shareholders.

By order of the Board of Directors

PAN Xinjun

Chairman

Shanghai, PRC

March 28, 2019

As at the date of this announcement, the Board of Directors comprises Mr. PAN Xinjun and Mr. JIN Wenzhong as executive Directors; Mr. LIU Wei, Mr. WU Junhao, Mr. CHEN Bin, Mr. LI Xiang, Ms. XIA Jinghan, Mr. XU Jianguo and Mr. DU Weihua as non-executive Directors; and Mr. XU Guoxiang, Mr. TAO Xiuming, Mr. WEI Anning, Mr. XU Zhiming and Mr. JIN Qinglu as independent non-executive Directors.