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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 IN RELATION TO THE PROVISION FOR ASSET IMPAIRMENT

This announcement is made by 東方證券股份有限公司 (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) of the Listing Rules.

The 21st meeting of the fourth session of the board of directors (the “**Board**”) and the 16th meeting of the fourth session of the supervisory committee (the “**Supervisory Committee**”) of the Company were convened on August 28, 2020 by way of on-site meeting, at which the Resolution in Relation to the Provision for Asset Impairment was considered and approved. Details are set out below:

I. OVERVIEW OF PROVISION FOR ASSET IMPAIRMENT

According to the relevant provisions of the China Accounting Standards for Business Enterprises (the “**CASBE**”) and the accounting policies of the Company, in order to reflect more truly and fairly the financial position of the Company as at June 30, 2020 and the operating results for the period from January to June 2020, the Company made provision for impairment of relevant financial assets for the period from January to June 2020.

After the Company's and its subsidiaries' assessment of the expected credit losses on the relevant assets, the provision for impairment of various assets amounted to RMB1,290.1097 million was made for January to June 2020, representing more than 10% of the Company's audited net profit for the most recent accounting year, as shown in the following table:

Unit: RMB'0000

Name of Asset	Amount of provision for asset impairment from January to June 2020
Financial assets held under resale agreements	124,160.56
Other	4,850.41
Total	129,010.97

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

The provision for various assets impairment made by the Company for January to June 2020 totaled RMB1,290.1097 million, and as a result of which, total profit and net profit of the Company for January to June 2020 were decreased by RMB1,290.1097 million and RMB967.5823 million, respectively.

III. DESCRIPTION OF PROVISION FOR ASSET IMPAIRMENT

(1) Financial assets held under resale agreements

In accordance with the CASBE and the Company's relevant accounting policies, affected by factors such as changes in the credit standing of the receivers of the financings and changes in the market value of the pledges, the provision for impairment of RMB1,241.6056 million was made for January to June 2020 for the financial assets held under resale agreements, mainly involving pledged stocks of Shangying Global (商 赢 环 球) (listed on the Shanghai Stock Exchange (the "SSE") under the stock code 600146), Gangtai Holdings (剛泰控股) (listed on the SSE under the stock code 600687), Guanfu Shares (冠福股份) (listed on the Shenzhen Stock Exchange (the "SZSE") under the stock code 002102), Zhongzhu Healthcare (中珠醫療) (listed on the SSE under the stock code 600568) and Oriental Ocean (東方海洋) (listed on the SZSE under the stock code 002086), etc.

1. The borrower engaged in stock-pledged repurchase business in the Company with the stock of Shangying Global (商贏環球) (600146). According to the relevant accounting policies of the Company, the stock-pledged repurchase business had been impaired and a provision for loss should be recognized based on the expected credit loss over the entire duration. Upon calculation, based on the difference between the book value and the present value of the estimated recoverable amount, a provision for impairment of RMB385.1544 million was made for January to June 2020.
2. The borrower engaged in stock-pledged repurchase business in the Company with the stock of Gangtai Holdings (剛泰控股) (600687). According to the relevant accounting policies of the Company, the stock-pledged repurchase business had been impaired and a provision for loss should be recognized based on the expected credit loss over the entire duration. Upon calculation, based on the difference between the book value and the present value of the estimated recoverable amount, a provision for impairment of RMB230 million was made for January to June 2020.
3. The borrower engaged in stock-pledged repurchase business in the Company with the stock of Guanfu Shares (冠福股份) (002102). According to the relevant accounting policies of the Company, the stock-pledged repurchase business had been impaired and a provision for loss should be recognized based on the expected credit loss over the entire duration. Upon calculation, based on the difference between the book value and the present value of the estimated recoverable amount, a provision for impairment of RMB184.7666 million was made for January to June 2020.
4. The borrower engaged in stock-pledged repurchase business in the Company with the stock of Zhongzhu Healthcare (中珠醫療) (600568). According to the relevant accounting policies of the Company, the stock-pledged repurchase business had been impaired and a provision for loss should be recognized based on the expected credit loss over the entire duration. Upon calculation, based on the difference between the book value and the present value of the estimated recoverable amount, a provision for impairment of RMB70.5658 million was made for January to June 2020.
5. The borrower engaged in stock-pledged repurchase business in the Company with the stock of Oriental Ocean (東方海洋) (002086). According to the relevant accounting policies of the Company, the stock-pledged repurchase business had been impaired and a provision for loss should be recognized based on the expected credit loss over the entire duration. Upon calculation, based on the difference between the book value and the present value of the estimated recoverable amount, a provision for impairment of RMB57.2081 million was made for January to June 2020.
6. In accordance with the Company's relevant accounting policies, the provision for impairment of other stock-pledged repurchases of RMB313.9107 million was made for January to June 2020.

(2) **Other**

In accordance with the CASBE and the Company's relevant accounting policies, the provisions for impairment of advances to customers, debt investments, other debt investments, receivables and other receivables were made respectively for January to June 2020 as follows:

Unit: RMB'0000

Name of Asset	Amount of provision for asset impairment from January to June 2020
Advances to customers	55.62
Debt investments	-52.25
Other debt investments	1,267.94
Receivables and other receivables	3,579.10
Total	4,850.41

IV. THE OPINION OF THE BOARD ON PROVISION FOR ASSET IMPAIRMENT OF THE COMPANY

The Board is of the view that the provision for asset impairment complies with and is in line with the relevant provisions of the CASBE and the accounting policy of the Company, and gives a true and fair view of the actual assets and financial position of the Company. The Board agrees to the provision for asset impairment.

V. THE OPINION OF INDEPENDENT NON-EXECUTIVE DIRECTORS ON PROVISION FOR ASSET IMPAIRMENT OF THE COMPANY

The independent non-executive directors of the Company are of the view that the provision for asset impairment is well substantiated, and the decision-making process is lawful, complies with the CASBE and the accounting policy of the Company, gives a true and fair view of the actual asset status and financial position of the Company, is in the interest of the Company as a whole and provides more true, reliable and accurate accounting information to investors. The decision-making process is in line with the requirements of relevant laws, regulations and the Articles of Association of the Company and does not prejudice the interest of the Company and its shareholders as a whole, in particular minority shareholders.

VI. THE OPINION OF THE AUDIT COMMITTEE ON PROVISION FOR ASSET IMPAIRMENT OF THE COMPANY

The Audit Committee of the Company is of the view that the provision for asset impairment is in line with the CASBE and the accounting policy of the Company. It reflects more truly and fairly the financial position of the Company as at June 30, 2020 and the operating results for January to June 2020, which helps to provide more accurate accounting information to investors and does not prejudice the interest of the Company and its shareholders as a whole, in particular minority shareholders.

VII. THE OPINION OF THE SUPERVISORY COMMITTEE ON PROVISION FOR ASSET IMPAIRMENT OF THE COMPANY

The Supervisory Committee is of the view that the provision for asset impairment is well substantiated, complies with and is in line with the CASBE and the accounting policy of the Company. The Supervisory Committee agrees to the provision for asset impairment.

By order of the Board of Directors

PAN Xinjun
Chairman

Shanghai, PRC
August 28, 2020

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. ZHOU Donghui, Mr. LI Xiang, Ms. XIA Jinghan, Mr. XU Jianguo and Mr. CHEN Xiaobo 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.