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*This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities. This announcement does not constitute or form a part of any offer or solicitation to purchase or subscribe for securities in the United States. The securities have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or the securities laws of any state of the United States or any other jurisdiction, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Bonds (as defined below) are being offered and sold only outside the United States in offshore transactions in compliance with Regulation S under the Securities Act. This announcement and the information contained herein are not for distribution, directly or indirectly, in or into the United States. No public offer of the securities referred to herein is being or will be made in the United States.*

*This announcement and the listing document referred to herein have been published for information purposes only as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and do not constitute an offer to sell nor a solicitation of an offer to buy any securities. Neither this announcement nor anything referred to herein (including the listing document) forms the basis for any contract or commitment whatsoever. For the avoidance of doubt, the publication of this announcement and the listing document referred to herein shall not be deemed to be an offer of securities made pursuant to a prospectus issued by or on behalf of the Issuer (as defined below) for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong nor shall it constitute an advertisement, invitation or document containing an invitation to the public to enter into or offer to enter into an agreement to acquire, dispose of, subscribe for or underwrite securities for the purposes of the Securities and Futures Ordinance (Cap. 571) of Hong Kong.*

Notice to Hong Kong investors: The Issuer and the Guarantor (as defined below) confirm that the Bonds (as defined below) are intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) only and have been listed on The Stock Exchange of Hong Kong Limited on that basis. Accordingly, the Issuer and the Guarantor confirm that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

PUBLICATION OF THE OFFERING CIRCULAR
WENDING ZHONGYUAN COMPANY LIMITED
(incorporated with limited liability in the British Virgin Islands)
(the "Issuer")
US$100,000,000 4.0 per cent. Guaranteed Bonds due 2025
(the "Bonds", Stock Code: 5066)
unconditionally and irrevocably guaranteed by

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)

(the "**Guarantor**")

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Central China International | **CMB International** | **CCB International** | **CNCB Capital**

CMB Wing Lung Bank Limited | **China Galaxy International** | **TF International**

Joint Bookrunners and Joint Lead Managers

China Zheshang Bank Co., Ltd. (Hong Kong Branch) | **China Industrial Securities International** | **China International Capital Corporation** | **Shenwan Hongyuan (H.K.)** | **Soochow Securities International**

ICBC International | **Donghai International** | **Changjiang Securities (HK)** | **Guoyuan Capital**

Haitong International | **Sheng Yuan Securities** | **CMBC Capital** | **ABC International**

This announcement is issued pursuant to Rule 37.39A of the Listing Rules.

Reference is made to the notice of listing of the Bonds on The Stock Exchange of Hong Kong Limited dated 22 March 2022 published by the Issuer.

The offering circular dated 16 March 2022 in relation to the Bonds is appended to this announcement.

Hong Kong, 23 March 2022

As at the date of this announcement, the sole director of Wending Zhongyuan Company Limited is Ms. Yuan CAO and the board of directors of Central China Securities Co., Ltd. (中原证券股份有限公司) comprises executive Director Mr. JIAN Mingjun, non-executive Directors Mr. LI Xingjia, Ms. ZHANG Qiuyun, Mr. TIAN Shengchun, Mr. TANG Jin, Mr. ZHANG Xiaoqi and Mr. LU Benson Cheng, and independent non-executive Directors Ms. ZHANG Dongming, Mr. CHEN Zhiyong, Mr. TSANG Sung and Mr. HE Jun.

Appendix 1 — Offering Circular dated 16 March 2022

IMPORTANT NOTICE

NOT FOR DISTRIBUTION DIRECTLY OR INDIRECTLY INTO THE UNITED STATES

IMPORTANT: You must read the following before continuing. The following applies to the offering circular (the "**Offering Circular**") following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from the Issuer or the Guarantor (each as defined in the Offering Circular) as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

THE BONDS (the "BONDS") AND THE GUARANTEE DESCRIBED HEREIN HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (the "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE BONDS AND THE GUARANTEE MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THIS OFFERING IS MADE SOLELY IN OFFSHORE TRANSACTIONS PURSUANT TO REGULATION S UNDER THE SECURITIES ACT.

THE FOLLOWING OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY UNITED STATES ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation of Your Representation: In order to be eligible to view the Offering Circular or make an investment decision with respect to the securities, investors must be purchasing the securities outside the United States in an offshore transaction in reliance on Regulation S under the Securities Act. By accepting the e-mail and accessing the attached Offering Circular, you shall be deemed to have represented to the Issuer, the Guarantor and the Joint Lead Managers (each as defined herein) (1) that you and any customers you represent are not, and that the electronic mail address that you gave the Issuer and/or the Guarantor and to which this e-mail has been delivered is not, located in the United States, its territories or possessions, (2) that you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission, and (3) to the extent you purchase the Bonds, you will be doing so in an offshore transaction as defined in regulations under the Securities Act in compliance with Regulation S thereunder.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Offering Circular to any other person.

Nothing in this electronic transmission constitutes, and may not be used in connection with, an offer or an invitation by or on behalf of any of the Issuer, the Guarantor or the Joint Lead Managers to subscribe or purchase any of the Bonds, in any place where offers or solicitations are not permitted by law and access has been limited so that it shall not constitute in the United States or elsewhere directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Lead Managers or any affiliate of the Joint Lead Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Lead Managers or such affiliate on behalf of the Issuer and the Guarantor in such jurisdiction. Any Bonds to be issued in respect thereof will not be registered under the Securities Act and may not be offered or sold in the United States unless registered under the Securities Act or pursuant to an exemption from such registration. Access has been limited so that it shall not constitute a general solicitation in the United States or elsewhere. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the Bonds.

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Guarantor, the Joint Lead Managers nor any of their affiliates, directors, officers, employees, representatives, agents, advisers and each person who controls any of them accepts any liability or responsibility whatsoever in respect of any such alteration or change to the Offering Circular distributed to you in electronic format or any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.

Actions that you may not take: If you receive this document by e-mail, you should not reply by e-mail to this document, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

STRICTLY CONFIDENTIAL

Wending Zhongyuan Company Limited

(incorporated in the British Virgin Islands with limited liability)

U.S.$100,000,000 4.00 per cent. Guaranteed Bonds due 2025
unconditionally and irrevocably guaranteed by

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)

Issue Price: 100.00 per cent.

Wending Zhongyuan Company Limited (the "**Issuer**") is offering 4.00 per cent. guaranteed bonds due 2025 in the aggregate principal amount of U.S.$100,000,000 (the "**Bonds**"). The Bonds will be unconditionally and irrevocably guaranteed by Central China Securities Co., Ltd. (中原证券股份有限公司) (the "**Guarantor**" or "**Company**") (such guarantee provided by the Guarantor, the "**Guarantee**"). The Issuer is an indirect wholly-owned subsidiary of the Guarantor.

The Bonds will bear interest on their outstanding principal amount from, and including, 22 March 2022 (the "**Issue Date**") at the rate of 4.00 per cent. per annum payable semi-annually in arrear on 22 March and 22 September in each year, commencing on 22 September 2022.

The Bonds constitute direct, unconditional, unsubordinated and (subject to Condition 3(a) (*Negative Pledge*) of the Terms and Conditions of the Bonds (the "**Conditions**")) unsecured obligations of the Issuer which will at all times rank *pari passu* without any preference or priority among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, other than those preferred by applicable laws and regulations. The Guarantee will at all times rank at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Guarantor, other than those preferred by applicable laws and regulations.

The Guarantor will enter into a deed of guarantee (the "**Deed of Guarantee**") with CMB Wing Lung (Trustee) Limited (the "**Trustee**") on the Issue Date. The Guarantor undertakes to (i) file or cause to be filed with the State Administration of Foreign Exchange of the PRC (the "**SAFE**") the Deed of Guarantee within the prescribed timeframe after its execution in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by the SAFE on 12 May 2014 (with effect from 1 June 2014, the "**Guarantee Registration**"); (ii) use its best endeavours to complete the Guarantee Registration and obtain a registration certificate from the SAFE (or any other document evidencing the completion of registration issued by SAFE) on or before the Registration Deadline (being 120 Registration Business Days (as defined in the Conditions) after the Issue Date); and (iii) subject to completion of the Guarantee Registration, comply with all applicable PRC laws and regulations in relation to the Bonds and the Deed of Guarantee.

Pursuant to the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015] 2044號)) (the "**NDRC Circular**") issued by the National Development and Reform Commission of the PRC (the "**NDRC**", which for the purposes of this Offering Circular shall include any relevant local branch thereof) on 14 September 2015 which came into effect on the same day, the Guarantor has registered the issuance of the Bonds with the NDRC and obtained a certificate from the NDRC on 20 December 2021 evidencing such registration. The Guarantor undertakes to file or cause to be filed with the NDRC the requisite information and documents on the issuance of the Bonds to the NDRC within 10 Registration Business Days after the Issue Date in accordance with the NDRC Circular and any implementation rules as issued by the NDRC from time to time.

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 22 March 2025 (the "**Maturity Date**"). The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 calendar days' prior notice to the Bondholders (as defined in the Conditions) in accordance with Condition 16 (*Notices*) of the Conditions (which notice shall be irrevocable), at their principal amount, together with interest accrued up to, but excluding the date fixed for redemption, if, immediately before giving such notice, the Issuer or the Guarantor satisfies the Trustee that the Issuer or the Guarantor (if a demand was made under the Guarantee) has or will become obliged to pay Additional Amounts (as defined in the Conditions) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in the Conditions), or any change in the application or official interpretation of, or the stating of an official position with respect to, such laws or regulations (including but not limited to any decision or holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 16 March 2022; and such obligation cannot be avoided by the Issuer or the Guarantor, as the case may be, taking reasonable measures available to it. Following the occurrence of a Relevant Event (as defined in the Conditions), the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all, but not some only, of such holder's Bonds on the Put Settlement Date (as defined in the Conditions) at 101 per cent. (in the case of a redemption for a Change of Control (as defined in the Conditions)) or 100 per cent. (in the case of a redemption for a No Registration Event (as defined in the Conditions)) of their principal amount, together in each case with accrued interest to (but excluding) the relevant Put Settlement Date. See "*Terms and Conditions of the Bonds — Redemption and Purchase*".

For a more detailed description, see the section entitled "*Terms and Conditions of the Bonds*" commencing on page 69.

The Bonds will not be rated.

Investing in the Bonds involves risks. See the section entitled "*Risk Factors*" commencing on page 20.

The Bonds and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any other jurisdiction, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Bonds are being offered and sold only outside the United States in compliance with Regulation S. For a description of certain restrictions on resale or transfer, see the section entitled "*Subscription and Sale*".

Application will be made to The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") for the listing of, and permission to deal in, the Bonds by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) ("**Professional Investors**") only. This document is for distribution to Professional Investors only.

Notice to Hong Kong Investors: the Issuer and the Guarantor confirm that the Bonds are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer and the Guarantor confirm that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The Hong Kong Stock Exchange has not reviewed the contents of this Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Offering Circular to Professional Investors only have been reproduced in this Offering Circular. Listing of the Bonds on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Bonds, the Issuer or the Guarantor or the Group (as defined herein) or quality of disclosure in this Offering Circular. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

The Bonds will be evidenced by a global certificate (the "**Global Certificate**"), in registered form, which will be registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). Beneficial interests in each Global Certificate will be shown on, and transfers thereof will be effected only through, the records maintained by Euroclear and Clearstream and their respective accountholders. Except as described herein, individual certificates for the Bonds will not be issued in exchange for beneficial interests in the Global Certificate. See "*Summary of Provisions relating to the Bonds in Global Form*".

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Central China International | **CMB International** | **CCB International** | **CNCB Capital**

CMB Wing Lung Bank Limited | **China Galaxy International** | **TF International**

Joint Bookrunners and Joint Lead Managers

China Zheshang Bank Co., Ltd. (Hong Kong Branch) | **China Industrial Securities International** | **China International Capital Corporation** | **Shenwan Hongyuan (H.K.)** | **Soochow Securities International**

ICBC International | **Donghai International** | **Changjiang Securities (HK)** | **Guoyuan Capital**

Haitong International | **Sheng Yuan Securities** | **CMBC Capital** | **ABC International**

Offering Circular dated 16 March 2022

TABLE OF CONTENTS

	Page
SUMMARY	1
SUMMARY OF THE OFFERING	9
SUMMARY CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP	15
RISK FACTORS	20
TERMS AND CONDITIONS OF THE BONDS	69
SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM	99
USE OF PROCEEDS	102
CAPITALISATION AND INDEBTEDNESS OF THE GROUP	103
DESCRIPTION OF THE ISSUER	105
DESCRIPTION OF THE GROUP	106
DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT	151
EXCHANGE RATE INFORMATION	164
PRC REGULATIONS	166
TAXATION	182
SUBSCRIPTION AND SALE	187
SUMMARY OF CERTAIN DIFFERENCES BETWEEN PRC GAAP AND IFRS	193
GENERAL INFORMATION	195
INDEX TO THE FINANCIAL STATEMENTS	F-1

NOTICE TO INVESTORS

THIS OFFERING CIRCULAR DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE THE OFFER OR SOLICITATION IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS OFFERING CIRCULAR NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER, THE GUARANTOR OR ANY OF THEIR RESPECTIVE SUBSIDIARIES OR THAT THE INFORMATION SET FORTH IN THIS OFFERING CIRCULAR IS CORRECT AS OF ANY DATE SUBSEQUENT TO THE DATE HEREOF.

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer, the Guarantor and the Guarantor's subsidiaries taken as a whole (collectively, the "**Group**"). Each of the Issuer and the Guarantor accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular. Investors are advised to read and understand the contents of this Offering Circular before investing. If in doubt, investors should consult their advisers.

Each of the Issuer and the Guarantor accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that (i) this Offering Circular contains all information with respect to the Issuer, the Guarantor, the Group, the Guarantee and the Bonds which is material in the context of the issue and offering of the Bonds (including the information which is required by applicable laws and the relevant rules and regulations imposed by the Hong Kong Stock Exchange and the information which, according to the particular nature of the Issuer, the Guarantor, the Group, the Bonds and the Guarantee, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Group and of the rights attaching to the Guarantee and the Bonds), (ii) the statements contained in this Offering Circular are, in every material respect, true and accurate and not misleading, (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer, the Guarantor and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, (iv) there are no other facts in relation to the Issuer, the Guarantor, the Group, the Bonds or the Guarantee, the omission of which would, in the context of the issue and offering of the Bonds, make any statement, in this Offering Circular misleading; and (v) all reasonable enquiries have been made by each of the Issuer and the Guarantor to ascertain such facts and to verify the accuracy of all such information and statements in this Offering Circular regarding the Issuer, the Guarantor and the Group as described in this Offering Circular.

This Offering Circular has been prepared by the Issuer and the Guarantor solely for use in connection with the proposed offering of the Bonds and the giving of the Guarantee described in this Offering Circular. The distribution of this Offering Circular, the offering of the Bonds and the giving of the Guarantee in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor, Central China International Securities Co., Limited, CMB International Capital Limited, CCB International Capital Limited, CNCB (Hong Kong) Capital Limited, CMB Wing Lung Bank Limited, China Galaxy International Securities (Hong Kong) Co., Ltd, TFI Securities and Futures Limited, China Zheshang Bank Co., Ltd. (Hong Kong Branch), China Industrial Securities International Brokerage Limited, China International Capital Corporation Hong Kong Securities Limited, Shenwan Hongyuan Securities (H.K.) Limited, Soochow Securities International Brokerage Limited, ICBC International Securities Limited, Donghai International Securities (Hong Kong) Limited, Changjiang Securities Brokerage (HK) Limited, Guoyuan Capital (Hong Kong) Limited, Haitong International Securities Company Limited, Sheng Yuan Securities Limited, CMBC Securities Company Limited and ABCI Capital Limited (the "**Joint Lead Managers**") to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds and the giving of the Guarantee or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the Guarantor giving the Guarantee, and the circulation of documents relating thereto, in certain jurisdictions and to persons connected therewith, including the United States, the United Kingdom, Hong Kong, Singapore, Japan, the PRC and the British Virgin Islands. For a description of certain further restrictions on offers, sales and resales of the Bonds and distribution of this Offering Circular, see "*Subscription and Sale*".

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Offering Circular or any information supplied by the Issuer and the Guarantor or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor or the Joint Lead Managers. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Guarantor or the Group or any of them since the date hereof or create any implication that the information contained herein is correct as of any date subsequent to the date hereof.

None of the Joint Lead Managers, the Trustee or the Agents (as defined in the Conditions) or any person who controls any of them, or any of their respective directors, officers, employees, agents, advisers, representatives and affiliates has separately verified the information contained in this Offering Circular. None of the Joint Lead Managers, the Trustee or the Agents, or any person who controls any of them, or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates, makes any representation, warranty or undertaking, express or implied, or accepts any responsibility or liability, with respect to the accuracy or completeness of any of the information contained in this Offering Circular or any information supplied in connection with the Bonds and the Guarantee. Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee or the Agents, or any person who controls any of them, or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of the Issuer and the Guarantor and the merit and risks involved in investing in the Bonds. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Bonds.

Singapore Securities and Futures Act Product Classification: In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee or the Agents, or any person who controls any of them, or any of their respective directors, officers, employees, agents, advisers or affiliates, accepts any responsibility for the contents of this Offering Circular or for any other statement made or purported to be made by the Joint Lead Managers, the Trustee or an Agent, or any person who controls any of them, or any of their respective directors, officers, employees, agents, advisers or affiliates, representatives or on its behalf, in connection with the Issuer, the Guarantor, the Group, the issue and offering of the Bonds or the giving of the Guarantee. Each of the Joint Lead Managers, the Trustee and the Agents and any person who controls any of them, or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement. None of the Joint Lead Managers, the Trustee or the Agents, or any person who controls any of them, or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates undertakes to review the financial condition or affairs of the Issuer or the Guarantor nor to advise any investor or potential investor in the Bonds of any information coming to the attention of the Joint Lead Managers, the Trustee or the Agents, or any person who controls any of them, or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates.

This Offering Circular may not be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation. This Offering Circular does not constitute an offer or an invitation to subscribe for or to purchase any Bonds, is not intended to provide the basis of any credit or other evaluation, and should not be considered as a recommendation by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee, the Agents or any person who controls any of them, or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates that any recipient of this Offering Circular should subscribe for or purchase any Bonds. Each recipient of this Offering Circular shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer and the Guarantor with its own tax, legal and business advisers as it deems necessary.

The investors or prospective investors should read this Offering Circular carefully before making a decision regarding whether or not to purchase the Bonds. This Offering Circular cannot be used for any other purpose and any information in this Offering Circular cannot be disclosed to any other person. This Offering Circular is personal to each prospective investor and does not constitute an offer to any other person or to the public generally to purchase or otherwise acquire the Bonds.

This Offering Circular summarises certain material documents and other information, and the Issuer, the Guarantor and the Joint Lead Managers refer the recipient of this Offering Circular to them for a more complete understanding of what is contained in this Offering Circular. In making an investment decision, the prospective investor must rely on its own judgement and examination of the Issuer and the Guarantor and the Conditions, including the merits and risks involved. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Bonds. The recipient of this Offering Circular should not consider any information in this Offering Circular to be legal, business or tax advice.

IN CONNECTION WITH THE ISSUE OF THE BONDS, ANY OF THE JOINT LEAD MANAGERS APPOINTED AND ACTING AS A STABILISING MANAGER (the "STABILISING MANAGER") (OR ANY PERSON ACTING ON BEHALF OF THE STABILISING MANAGER) MAY OVER-ALLOT AND EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR ANY PERSON ACTING ON BEHALF OF THE STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE

STABILISING MANAGER (OR ANY PERSON ACTING ON BEHALF OF THE STABILISING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND DIRECTIVES.

Any of the Joint Lead Managers and their respective affiliates may purchase the Bonds for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Bonds and/or other securities of the Issuer, the Guarantor or their respective subsidiaries or associates at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds). Furthermore, investors in the Bonds may include entities affiliated with the Group.

WARNING

The contents of this Offering Circular have not been reviewed by any regulatory authority of any jurisdiction. You are advised to exercise caution in relation to the offering of the Bonds. If you are in any doubt about any of the contents of this Offering Circular, you should obtain independent professional advice.

INDUSTRY AND MARKET DATA

Market data and certain industry forecasts and statistics used throughout this Offering Circular have been obtained from, among other sources, internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information that they contain has been obtained from sources believed to be reliable and accurate but that the accuracy and completeness of that information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and none of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or any person who controls any of them, or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates makes any representation as to the correctness, accuracy or completeness of that information. Such information may not be consistent with other information compiled within or outside the PRC. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. Accordingly, such information should not be unduly relied upon.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

All non-company specific statistics and data relating to the Issuer's industry or the economies of pertinent jurisdictions, such as the PRC, have been extracted or derived from publicly available information and various government sources. The Issuer believes that the sources of this information are appropriate for such information and the Issuer has taken reasonable care in extracting and reproducing such information. The Issuer has no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, such information has not been independently verified by the Issuer, the Joint Lead Managers, the Trustee or the Agents or by their respective affiliates, officers, employees, directors, representatives, advisers and agents and none of the Issuer, the Joint Lead Managers, the Trustee or the Agents or their respective affiliates, officers, employees, directors, representatives, advisers and agents makes any representation as to the correctness, accuracy or completeness of such information. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified. Accordingly, such information should not be unduly relied upon.

The Group has prepared this Offering Circular using a number of conventions, which you should consider when reading the information contained herein. In this Offering Circular, all references to the "**Guarantor**" are to Central China Securities Co., Ltd. (中原证券股份有限公司), the "**Issuer**" are to Wending Zhongyuan Company Limited and the "**Group**" are to the Issuer, the Guarantor and the Guarantor's consolidated subsidiaries taken as a whole.

This Offering Circular contains translations of certain Renminbi amounts into U.S. dollars and Hong Kong dollars into U.S. dollars at specified rates. Unless indicated otherwise, the translation of Renminbi amounts into U.S. dollars has been made at the rate of RMB6.4566 to U.S.$1.00 (being the noon buying rate in New York City on 30 June 2021 as set forth in the weekly H.10 statistical release of the Federal Reserve Board of the Federal Reserve Bank of New York (the "**Noon Buying Rate**")). Further information regarding exchange rate is set forth in "*Exchange Rate Information*" in this Offering Circular. These translations should not be construed as representations that the Renminbi amounts could have been or could actually be converted into U.S. dollars at the rates indicated or at all.

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to the "**PRC**", "**China**" and "**Mainland China**" are to the People's Republic of China (which for the purpose of this Offering Circular, excludes the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan), all references to the "**United States**" and "**U.S.**" are to the United States of America, all references to "**Hong Kong**" are to the Hong Kong Special Administrative Region of the People's Republic of China; all references to "**Hong Kong dollar(s)**" and "**HK$**" are to the lawful currency of Hong Kong, all references to "**Renminbi**" and "**RMB**" are to the lawful currency of the PRC and all references to "**U.S. dollar(s)**" and "**U.S.$**" are to the lawful currency of the United States of America. Historical amounts translated into Renminbi have been translated at historical rates of exchange. Such translations should not be construed as representations that the amounts referred to herein could have been or could be converted into Renminbi at those rates or any other rate at all.

Unless the context otherwise requires, references to "2018", "2019", "2020" and "2021" in this Offering Circular are to the years ended 31 December 2018, 2019, 2020 and 2021, respectively.

In this Offering Circular, unless otherwise indicated or the context otherwise requires, references to:

- "**A shares**" means domestic listed ordinary shares with a nominal value of RMB1.00 each in the share capital of the Company, which are listed and traded on the SSE;
- "**AUM**" means assets under management;
- "**CFA**" means Chartered Financial Analyst, a credential issued by CFA institute;
- "**CFFE**" means China Financial Futures Exchange (中國金融期貨交易所);
- "**CIIA**" means certified International Investment Analyst, a global finance designation offered by the Association of Certified International Investment Analysts to financial professionals;
- "**CSRC**" means China Securities Regulatory Commission (中國證監會);
- "**ETF**" means an exchange-traded fund;
- "**FRM**" means Financial Risk Manager, a certification for risk managers issued by Global Association of Risk Professionals;
- "**futures IB business**" means futures introducing brokerage business, the business activities in which securities companies, as commissioned by futures companies, introduce customers to futures companies to provide futures brokerage and other related services;
- "**GDP**" means gross domestic product;

- "**Henan SASAC**" means State-owned Assets Supervision and Administration Commission of Henan Provincial People's Government (河南省人民政府國有資產監督管理委員會);

- "**H shares**" overseas listed foreign ordinary shares with a nominal value of RMB1.00 each in the share capital of the Company, which are listed and traded on the Main Board of the Hong Kong Stock Exchange;

- "**IPO**" means initial public offering;

- "**M&A**" means merger and acquisition;

- "**MOF**" means Ministry of Finance of the People's Republic of China (中華人民共和國財政部);

- "**MOFCOM**" means Ministry of Commerce of the People's Republic of China (中華人民共和國商務部);

- "**NEEQ**" means National Equities Exchange and Quotations (全國中小企業股份轉讓系統) (also known as the "New OTC Board" or "New Third Board" (新三板));

- "**OTC market**" means over-the-counter market;

- "**PBOC**" means People's Bank of China (中國人民銀行), the central bank of the PRC;

- "**SAC**" means Securities Association of China (中國證券業協會);

- "**SAT**" means State Taxation Administration(國家稅務總局);

- "**SME**" means a small and medium sized enterprise;

- "**SSE**" means Shanghai Stock Exchange;

- "**STAR Market**" means the science and technology innovation board of the SSE;

- "**State Council**" means State Council of the PRC (中華人民共和國國務院); and

- "**SZSE**" means Shenzhen Stock Exchange.

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purposes only.

PRESENTATION OF FINANCIAL INFORMATION

The Group's consolidated financial information as of and for the years ended 31 December 2018, 2019 and 2020 has been extracted from the Group's audited consolidated financial statements as of and for the years ended 31 December 2019 and 2020 (the "**Audited Consolidated Financial Statements**"). The Audited Consolidated Financial Statements have been audited in accordance with the generally accepted accounting principles in the PRC, namely, the Accounting Standards for Business Enterprises ("**PRC GAAP**"), by ShineWing Certified Public Accountants (Special General Partnership) ("**ShineWing**") in accordance with Auditing Standards for Certified Public Accountants in China.

The Group's consolidated financial information as of and for the six months ended 30 June 2020 and 2021 has been extracted from the Group's unaudited but reviewed consolidated interim financial statements as of and for the six months ended 30 June 2021 (the "**Consolidated Interim Financial Statements**"). The Consolidated Interim Financial Statements were prepared and presented in accordance with PRC GAAP and have been reviewed but not audited by Da Hua Certified Public Accountants (Special General Partnership) ("**Da Hua**"). The Consolidated Interim Financial Statements should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit. None of the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, directors, employees, agents, representatives or advisers makes any representation or warranty, express or implied, regarding the accuracy, completeness and sufficiency of the Consolidated Interim Financial Statements. Potential investors must exercise caution when using such data to evaluate the financial condition and results of operations of the Group. The Consolidated Interim Financial Statements should not be taken as an indication of the expected financial condition and results of operations of the Group for the full financial year ending 31 December 2021 or any other future period.

In April 2020, the Group announced a proposed alignment in the preparation of financial statements in accordance with PRC GAAP and disclosure of such financial information in both domestic and overseas markets. Such alignment was made to increase efficiency and save costs by simplifying working procedures and communication between domestic and overseas auditors. On 10 June 2020, the proposed alignment was approved by the shareholders of the Guarantor and has been adopted beginning with the unaudited but reviewed consolidated interim financial statements as of and for the six months ended 30 June 2020.

PRC GAAP differs in certain material respects from International Financial Reporting Standards ("**IFRS**"). See "*Summary of Certain Differences Between PRC GAAP and IFRS*".

FORWARD-LOOKING STATEMENTS

The Issuer and the Guarantor have made certain forward-looking statements in this Offering Circular regarding, among other things, the Group's financial conditions, future expansion plans and business strategy. These forward-looking statements are based on the Group's current expectations about future events. Although the Issuer and the Guarantor believe that these expectations and projections are reasonable, such forward-looking statements are inherently subject to risks, uncertainties and assumptions, including, among other things:

- the Group's strategies, plans, objectives and goals and its ability to implement such strategies and achieve its plans, objectives and goals;
- future developments, trends and conditions in securities industry and markets in which the Group operates;
- the Group's business prospects and capital expenditure plans;
- the actions and developments of both domestic and foreign owned securities firms;
- the availability and costs of bank loans, bonds issuances and other forms of financing;
- various business opportunities that the Group may pursue;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions affecting all aspects of the Group's business, especially those relating to securities companies operating in the PRC;
- general political and economic conditions, including those related to Henan Province and the PRC;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industry and markets in which the Group operates;
- macroeconomic measures taken by the PRC government to manage economic growth; and
- the Group's ability to identify factors other than those discussed under "*Risk Factors*" and elsewhere in this Offering Circular.

The words "**anticipate**", "**believe**", "**estimate**", "**expect**", "**intend**", "**plan**" and similar expressions are intended to identify a number of these forward-looking statements. The Issuer and the Guarantor undertake no obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur and the Group's actual results could differ materially from those anticipated in these forward-looking statements. Accordingly, investors are cautioned not to place undue reliance on these forward-looking statements.

All forward-looking statements contained in this Offering Circular are qualified by reference to the cautionary statements set forth in this section.

These forward-looking statements speak only as of the date of this Offering Circular. The Issuer and the Guarantor expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in their expectations with regard thereto or any change of events, conditions or circumstances, on which any such statement was based.

SUMMARY

The summary below is only intended to provide a limited overview of information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all of the information that may be important to investors and terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. Prospective investors should therefore read this Offering Circular in its entirety, including the section titled "Risk Factors", before making an investment decision.

Overview

The Group is a leading securities company headquartered in Zhengzhou, Henan Province with a full-service business platform and strategic presence in China. The Company is one of the A+H listed securities companies in China and remains as the only securities company incorporated as a legal person in Henan Province. The Group is well positioned to capitalise on the rapid economic growth and development of the securities industry in Henan Province, one of the most populous provinces with the fifth-highest GDP in China for the past 17 consecutive years, as well as the abundant business opportunities emerging from the growing capital markets in China. The Group has maintained a strong growth momentum in its various business segments in recent years and has developed into a comprehensive securities company with distinctive advantages and leading market position in Henan Province. For example, the Company ranked 24th in terms of equity underwriting amount (including stock issuance amount of M&A and restructuring projects) on the SSE and the SZSE and ranked 12th among the M&A and restructuring financial advisers in China in terms of transaction amount in 2020.

As the only securities company with legal person status and headquartered in Henan Province, the Group has over 19 years of market experience in Henan Province. Underpinned by its deep roots in Henan Province, it has developed perceptive insights into the local market environment and customer demand. The Group has built strong relationships with local government authorities as well as corporations. It has also established an unparalleled local advantage along with brand recognition in the Henan market compared to its competitors. As of 30 June 2021, the Group had a total of 85 securities operation branches and 30 branch offices across 15 provinces in China. An extensive and comprehensive network coverage enables the Group to provide localised services to its clients and capture more opportunities emerging from the fast-growing securities industry in Henan Province. In addition, the Group's strategic presence across China also enables it to identify and secure high-end customers and business opportunities across the nation and enhance synergy with its branch network in Henan Province.

Moreover, to achieve quality growth, the Group balances business scale, profitability and risk management in developing its business and implementing its strategies. The Group has also made significant progress in its optimisation reform in recent years and has established effective performance appraisal system, modern corporate governance and organisation structure and also market-oriented business models. In recognition of its reform efforts, the Group received from the CSRC a regulatory rating of "BBB" in 2021, representing a substantial improvement in such ranking from "C" in 2018.

By virtue of its business success and outstanding financial performance, the Group has received numerous top rankings and prestigious awards in the industry over the years. For example, the Group won the Shanghai Futures Exchange Market Making Business Diamond Award (上海期貨交易所做市業務鑽石獎) in 2020, the Financial Futures Exchange Growth Breakthrough Award (金融期貨交易所成長突破獎) in 2020, the award of "2019 Shanghai Stock Exchange Outstanding Underwriter of Local Government Bonds (2019年度上海證券交易所地方政府債券優秀承銷商)" and "2019 Model Chinese Futures Trader (2019模範中資期貨商)" in 2019. The Company was also recognised as one of the National Top Ten Silver Investment Consultants (全國十佳銀牌投顧) in 2018. The Group's Central China investor education base (中原投資者教育基地) was named in the Third Batch of National Securities & Futures Investor Education Bases (第三批國家級證券期貨投資者教育基地) by the CSRC in 2019. For details, see "*Awards and Recognitions*".

The Group provides a comprehensive portfolio of financial products and services. It principally engages in the brokerage, credit, futures, investment banking, investment management, proprietary trading and overseas businesses.

- **Brokerage Business.** The Group's brokerage business mainly consists of securities brokerage, wealth management and distribution of financial products. The Group trades stocks, funds, bonds and futures on behalf of the customers based on their engagement, and provides customers with investment consultancy services, financial planning services and financing services. The Group receives commission and fee income, interest income from its financing and other service charges in return. Brokerage business is one of the principal businesses of the Group and the operating income generated from this segment represented a significant portion of its total operating income historically. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, the operating income generated from the Group's brokerage business amounted to approximately RMB937.4 million, RMB1,392.4 million, RMB892.9 million, RMB342.6 million and RMB346.8 million, respectively, representing approximately 56.8 per cent., 58.7 per cent., 28.8 per cent., 27.4 per cent. and 14.8 per cent. of its total operating income, respectively, before inter-segment elimination.

- **Credit Business**. The Group's credit business mainly covers margin financing and securities lending, stock pledged repurchase and agreed repurchase securities trading services. The Company decided to categorise credit business, including businesses such as margin financing and equity pledge, as separate segment since 2020 by reference to market practice in the securities industry. For the year ended 31 December 2020 and the six months ended 30 June 2020 and 2021, the operating income generated from the Group's credit business amounted to approximately RMB299.3 million, RMB121.6 million and RMB225.6 million, respectively, representing approximately 9.6 per cent., 9.7 per cent. and 9.7 per cent. of its total operating income, respectively, before inter-segment elimination

- **Futures Business.** The Group carries out its futures business which include futures brokerage, futures investment consultation, futures asset management and risk management. Considering the risk management of futures business and the business scale of its futures assets management business, and to align with market practice, the Company decided to categorise futures business as a separate segment since 2020. The Group generates various forms of service fees from its futures business. For example, the Group charges transaction handling fees and settlement service fees from its futures brokerage business. For the year ended 31 December 2020 and the six months ended 30 June 2020 and 2021, the operating income generated from the Group's futures business amounted to approximately RMB1,354.1million, RMB454.2 million and RMB1,074.3 million, respectively, representing approximately 43.6 per cent., 36.3 per cent. and 46.0 per cent. of its total operating income, respectively, before inter-segment elimination.

- **Investment Banking Business.** The Group's investment banking business primarily provides comprehensive corporate finance services to its institutional clients, including equity underwriting, debt underwriting and financial advisory services. Its investment banking business collaborates closely with other business segments to promote cross-selling and further expands its investment banking client base. The main sources of income from its investment banking business are underwriting commissions and fees from equity and debt underwriting and financial advisory fees. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, the operating income generated from the Group's investment banking business amounted to approximately RMB85.1 million, RMB209.3 million, RMB178.9 million, RMB82.4 million and RMB261.3 million, respectively, representing approximately 5.2 per cent., 8.8 per cent., 5.8 per cent., 6.6 per cent. and 11.2 per cent. of its total operating income, respectively, before inter-segment elimination.

- **Investment Management Business.** The Group's investment management business covers asset management, private fund management and alternative investment. The Group earns management fees and certain portion of excess revenue distribution through its asset management business and private fund management business and receives investment income from its proprietary capital investment under its alternative investment business. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, the operating income generated from the Group's investment management business amounted to approximately RMB223.8 million, RMB198.0 million, RMB85.2 million, RMB50.7 million and RMB128.8 million, respectively, representing approximately 13.6 per cent., 8.3 per cent., 2.7 per cent., 4.1 per cent. and 5.5 per cent. of its total operating income, respectively, before inter-segment elimination.

- **Proprietary Trading Business.** The Group engages in the investment and trading of stocks, bonds, funds, derivatives and other financial products as permitted by the CSRC through proprietary funding for its own account. The Group generates investment income from its proprietary trading business and conduct this business in accordance with its risk management policies and market conditions. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, the operating income generated from the Group's proprietary trading business amounted to approximately RMB83.6 million, RMB421.4 million, RMB124.2 million, RMB50.0 million and RMB233.1 million, respectively, representing approximately 5.1 per cent., 17.8 per cent., 4.0 per cent., 4.0 per cent. and 10.0 per cent. of its total operating income, respectively, before inter-segment elimination.

- **Overseas Business.** The Group's overseas business mainly covers capital market services, including securities brokerage, margin financing, futures brokerage, investment banking, securities research, and proprietary investment. For the year ended 31 December 2018, the operating income generated from the Group's overseas business amounted to approximately RMB95.9 million representing approximately 5.8 per cent. of its total operating income before inter-segment elimination. For the year ended 31 December 2019 and 2020 and the six months ended 30 June 2020 and 2021, the Group recorded an operating loss from its overseas business amounting to approximately RMB178.2 million, RMB29.8 million, RMB44.8 million and RMB25.4 million, respectively, before inter-segment elimination.

- **Other Businesses.** The Group also engages in other businesses, including, among others, regional equity market business and micro-lending business. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, the operating income generated from the Group's other businesses amounted to approximately RMB243.0 million, RMB432.0 million, RMB203.1 million, RMB200.9 million and RMB120.9 million, respectively, representing approximately 14.7 per cent., 18.2 per cent., 6.5 per cent., 16.1 per cent. and 5.2 per cent. of its total operating income, respectively, before inter-segment elimination.

As of 30 June 2021, the Group had total assets of approximately RMB54,272.6 million. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, the Group's total operating income amounted to approximately RMB1,649.7 million, RMB2,372.5 million, RMB3,103.3 million, RMB1,250.0 million and RMB2,336.0 million, respectively.

Competitive Strengths

The Group believes the following competitive strengths have contributed to its success and distinguished the Group from its competitors:

- The Group is well-positioned to benefit from the significant potential for economic growth and securities industry development in Henan Province.

- The Group has established an extensive branch network and strong customer base in Henan Province and continues to expand its business across China.

- The Group has diversified financing channels to meet its capital requirements and funding needs.

- The Group offers diversified and comprehensive financial products and services and benefits from the synergy achieved throughout the industrial chain led by its investment banking business.

- The Group has established an effective risk management system.

- The Group has an experienced senior management team supported by highly proficient professional talents.

Business Strategies

Focusing on strengthening its investment banking business and optimising investments, the Company will continue to deepen its internal reform, reinforce its core competitiveness, enhance its professional service level, and accelerate the transformation into the wealth management service model. Therefore, the Company will vigorously raise the level of compliance risk control and significantly improve the professional ability of its senior management team and employees. The Group also aims to promote its capital strengths and profitability to top the list of securities companies across China and move the ranking of certain key business sector significantly forward, to achieve a "Second Take-off (二次騰飛)".

The Company intends to implement the following business strategies to achieve its goal of becoming one of the leading integrated financial groups in China:

- To keep the momentum in strengthening its investment banking business to achieve market leading position;

- To accelerate the transformation into the wealth management service model to secure stable revenue; and

- To maintain stable growth in various other business segments and carry out personnel management reform and enhance risk management regime to achieve sustainable development and efficient management

Recent Developments

On 3 July 2021, the Company published an announcement on the SSE regarding its capital injection to its wholly-owned subsidiary, Central China International Financial Holdings Company Limited (中州國際金融控股有限公司) ("**Central China International**"). As of the date of this Offering Circular, the capital injection has been approved by the relevant government authorities and the registered capital of Central China International has increased by HK$800 million to HK$1.8 billion.

On 26 and 27 July 2021, the Company published announcements on the Hong Kong Stock Exchange and the SSE, respectively, in relation to the reduction of shareholding in the Company by Bohai Industrial Investment Fund Management Co., Ltd. (渤海產業投資基金管理有限公司) (holding the Company's A shares on behalf of Bohai Industrial Investment Fund (渤海產業投資基金), "**Bohai Company**"), a shareholder of the Company. During the period from 27 January 2021 to 26 July 2021, Bohai Company reduced 2.91 per cent. shareholding in the Company by way of centralised bidding. After the reduction, Bohai Company holds approximately 6.39 per cent. equity interest of the Company.

On 5 August 2021, the Company announced an on-market repurchase of an aggregate principal amount of U.S.$58.8 million of its U.S.$110 million 5.2 per cent. offshore bonds due 2021 issued by the Issuer with a keepwell deed provided by the Company (the "**2021 offshore bonds**"). The repurchased bonds accounted for approximately 53.45 per cent. of the initial aggregate principal amount of the 2021 offshore bonds. On 12 September 2021, the 2021 offshore bonds were fully redeemed by the Issuer.

On 7 September 2021, the Company published an announcement on the SSE regarding its proposed provision of a cross-border guarantee of HK$150 million for Central China International to obtain overseas bank loans.

On 28 September 2021, the Company published an announcement on the SSE regarding its proposed provision of a cross-border guarantee of HK$180 million for Central China International to obtain overseas bank loans.

On 29 and 30 October 2021, the Company published its 2021 Third Quarterly Report on the Hong Kong Stock Exchange and the SSE, respectively. The Group's total operating income increased substantially for the nine months ended 30 September 2021 as compared to the corresponding period in 2020, mainly attributable to the increase in income from investment banking, securities investment and sales of bulk commodity by its subsidiaries. For the nine months ended 30 September 2021, the Group recorded a substantial decrease in net operating cash flows, mainly attributable to a decrease in borrowings from banks and other financial institutions and an increase in investment in financial assets held for trading as compared to the corresponding period in 2020.

On 9 and 10 November 2021, the Company published announcements on the Hong Kong Stock Exchange and the SSE, respectively, with respect to its 2021 interim dividends payment plan, which has been approved by its extraordinary general meeting.

On 20 December 2021, the Company published an announcement on the SSE regarding the transfer of 11 per cent. equity interest in Henan Central China Micro-lending Company Limited (河南省中原小額貸款有限公司) ("**Central China Micro-lending**") held by a wholly-owned subsidiary of the Company, Central China Blue Ocean Investment Management Company Limited (中州藍海投資管理有限公司) ("**Central China Blue Ocean**"), which has entered into the "State-owned Property Rights Transaction Contract" with Luohe City Financial Holdings Co., Ltd. (漯河市金融控股有限公司) with the consideration of RMB126 million. Upon completion of the proposed equity transfer, Central China Blue Ocean will cease to be the controlling shareholder of Central China Micro-lending.

On 30 December 2021, the Company published announcements on the Hong Kong Stock Exchange and the SSE regarding the renewal of the securities and financial products transactions and services framework agreement entered into between the Company and Henan Investment Group Co., Ltd. (河南投資集團有限公司) on 27 March 2019 and the securities and financial products transactions and services framework agreement entered into between the Company and Central China Equity Exchange Co., Ltd. (中原股權交易中心股份有限公司) ("**Central China Equity Exchange**") on 27 March 2019, each for a further term of three years commencing from 1 January 2022 and ending on 31 December 2024.

On 18 January 2022, the Company published announcements on the Hong Kong Stock Exchange and the SSE in respect of the nominations of Mr. Tang Jin as a candidate of non-executive director and Mr. He Jun as a candidate of independent non-executive director of the seventh session of the board of the Company and the proposed adjustment to the composition of the members of the specialised committees under the board after the approval of the appointments of Mr. Tang Jin and Mr. He Jun.

On 17 February 2022, proposed amendments to the articles of the Company and the appointments of Mr. Tang Jin as a non-executive director and Mr. He Jun as an independent non-executive director of the seventh session of the board of the Company were passed at the extraordinary general meeting. The composition of the members of the Board's specialised committees announced on 18 January 2022 has become effective.

On 17 and 18 February 2022, the Company published announcements on the Hong Kong Stock Exchange and the SSE, respectively, in relation to the preliminary financial data of the Company as at and for the year ended 31 December 2021. Such preliminary financial data are preliminary accounting data which have not been audited by independent accountants.

Based on the preliminary financial data, for the year ended 31 December 2021, the Group's total operating income and operating profit recorded substantial year-on-year increases. Such increases were mainly due to the year-on-year increases in operating income from the Company's principal businesses, such as investment banking business and brokerage business. The Company also recorded a minor increase in total assets as at 31 December 2021 when compared to 31 December 2020.

On 18 and 19 February 2022, the Company published announcements on the Hong Kong Stock Exchange and the SSE, respectively, in relation to the reduction of shareholding in the Company by Bohai Company. During the period from 20 August 2021 to 18 February 2022, Bohai Company reduced 5.11 per cent. shareholding in the Company by way of centralised bidding. After the reduction, Bohai Company holds approximately 1.19 per cent. equity interest of the Company.

On 24 February 2022, the Company issued corporate bonds titled "22 Central China 01 (22中原01)" in an aggregate principal amount of RMB2.0 billion for a tenor of three years and with a coupon rate of 3.20 per cent. per annum. The 22 Central China 01 (22中原01) bonds are listed on the SSE.

SUMMARY OF THE OFFERING

The following is a general summary of the terms of the Offering. Capitalised terms used but not otherwise defined herein shall have the meanings given to them in the sections entitled "Terms and Conditions of the Bonds" and "Summary of Provisions relating to the Bonds in Global Form". For a more complete description of the terms and conditions of the Bonds, see "Terms and Conditions of the Bonds" in this Offering Circular.

Terms of the Offering

Issuer	Wending Zhongyuan Company Limited.
Legal entity identifier ("**LEI**") of the Issuer	254900MHWXJGPBHN4Z97.
Guarantor	Central China Securities Co., Ltd. (中原证券股份有限公司).
Bonds	U.S.$100,000,000 4.00 per cent. Guaranteed Bonds due 2025.
Issue Price	100.00 per cent.
Form and Denomination	The Bonds will be issued in registered form in denominations of U.S.$200,000 each and integral multiples of U.S.$1,000 in excess thereof.
Issue Date	22 March 2022.
Interest	The Bonds will bear interest on their outstanding principal amount from, and including, 22 March 2022 at the rate of 4.00 per cent. per annum, payable semi-annually in arrear in equal instalments of U.S.$20.00 per Calculation Amount on 22 March and 22 September in each year, commencing on 22 September 2022.
Maturity Date	22 March 2025.

Status of the Bonds	The Bonds will constitute direct, unconditional, unsubordinated and (subject to Condition 3(a) *(Negative Pledge)* of the Conditions) unsecured obligations of the Issuer which will at all times rank *pari passu* without any preference or priority among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, other than those preferred by applicable laws and regulations and save as provided in Condition 3(a) *(Negative Pledge)* of the Conditions.
Guarantee of the Bonds	The Guarantor has in the Deed of Guarantee unconditionally and irrevocably guaranteed the due and punctual payment of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deed. The payment obligations of the Guarantor under the Guarantee of the Bonds will at all times rank at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Guarantor, other than those preferred by applicable laws and regulations and save as provided in Condition 3(a) *(Negative Pledge)* of the Conditions. The Guarantor undertakes to (i) file or cause to be filed with the SAFE the Deed of Guarantee within the prescribed timeframe after its execution in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by the SAFE on 12 May 2014 (with effect from 1 June 2014); (ii) use its best endeavours to complete the Guarantee Registration and obtain a registration certificate from the SAFE (or any other document evidencing the completion of registration issued by SAFE) on or before the Registration Deadline (being 120 Registration Business Days after the Issue Date); and (iii) subject to completion of the Guarantee Registration, comply with all applicable PRC laws and regulations in relation to the Bonds and the Deed of Guarantee.
Negative Pledge	The Bonds will contain a negative pledge provision as further described in Condition 3(a) *(Negative Pledge)* of the Conditions.

Use of Proceeds	Refinancing of the Group's offshore indebtedness, replenishment of its operating capital and funding of the development of its securities business.
Events of Default	The Bonds will contain certain events of default as further described in Condition 8 *(Events of Default)* of the Conditions.
Cross-Default	The Bonds are subject to a cross-default provision in respect of present or future indebtedness for or in respect of moneys borrowed or raised or any guarantee thereof of the Issuer or the Guarantor or any of their respective Subsidiaries which in aggregate exceeds U.S.$50,000,000 or its equivalent, as further described in Condition 8(c) *(Cross-default)* of the Conditions.
Taxation	All payments under or in respect of the Bonds and the Guarantee of the Bonds by or on behalf of the Issuer or, as the case may be, the Guarantor shall be made without set-off or counterclaim, and free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the British Virgin Islands, the PRC, any jurisdiction in which the Issuer or the Guarantor is incorporated, resident or doing business for tax purposes, any jurisdiction through which payments are made, or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event the Issuer or, as the case may be, the Guarantor shall pay such additional amounts as will result in the receipt by the Bondholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required. See "*Terms and Conditions of the Bonds — Taxation*".
Final Redemption	Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Maturity Date.

Redemption for Tax Reasons	The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 calendar days' prior notice to the Bondholders in accordance with Condition 16 (Notices) of the Conditions (which notice shall be irrevocable), at their principal amount, together with interest accrued up to, but excluding the date fixed for redemption, if, immediately before giving such notice, the Issuer or the Guarantor satisfies the Trustee that (i) the Issuer or the Guarantor (if a demand was made under the Guarantee of the Bonds) has or will become obliged to pay Additional Amounts as provided or referred to in Condition 7 (Taxation) of the Conditions as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction, or any change in the application or official interpretation of, or the stating of an official position with respect to, such laws or regulations (including but not limited to any decision or holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 16 March 2022; and (ii) such obligation cannot be avoided by the Issuer or the Guarantor, as the case may be, taking reasonable measures available to it, as further described in Condition 5(b) *(Redemption for Tax Reasons)* of the Conditions.
Redemption for Relevant Events	Following the occurrence of a Relevant Event, the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all, but not some only, of such holder's Bonds on the Put Settlement Date at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together in each case with accrued interest to (but excluding) the relevant Put Settlement Date. A "**Change of Control**" occurs when Henan Investment Group Co., Ltd. (河南投資集團有限公司) (or its successor, being a Person controlled by the People's Government of Henan Province (河南省人民政府)), ceases to be (whether directly or indirectly or beneficially) the single largest shareholder of the Guarantor or the Guarantor ceases to own (whether directly or indirectly or beneficially) 100.0 per cent. of the issued share capital of the Issuer.

	A "**No Registration Event**" occurs when the Registration Condition is not satisfied on or before the Registration Deadline.
Further Issues	The Issuer may from time to time, without the consent of the Bondholders and in accordance with the Trust Deed, create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date, the first payment of interest on them and the timing for the Guarantee Registration and the NDRC Post-Issue Filing and the subsequent notifications to the Trustee and the Bondholders) so as to be consolidated and form a single series with the Bonds, as further described in "*Terms and Conditions of the Bonds — Further Issues*".
Trustee	CMB Wing Lung (Trustee) Limited.
Principal Paying Agent, Registrar and Transfer Agent	CMB Wing Lung Bank Limited.
Clearing Systems	The Bonds will be evidenced by a global certificate registered in the name of a nominee of, and deposited with, a common depositary for Euroclear and Clearstream. Beneficial interests in the Bonds represented by the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described in this Offering Circular, individual certificates for the Bonds will not be issued in exchange for beneficial interests in the Global Certificate.
Notices and Payment	So long as the Global Certificate is held on behalf of Euroclear and Clearstream, any notice to the holders of the Bonds shall be validly given by the delivery of the relevant notice to Euroclear and Clearstream, for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.
Governing Law	English law.

Listings	Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only.
Ratings	The Bonds will not be rated.
Selling Restrictions	The Bonds will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See “Subscription and Sale”.
ISIN	XS2420031523.
Common Code	242003152.
Risk Factors	For a discussion of certain factors that should be considered in evaluating an investment in the Bonds, see “Risk Factors”.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

The Group's summary consolidated financial information as of and for the years ended 31 December 2018, 2019 and 2020 set forth below has been extracted from the Audited Consolidated Financial Statements, which are included elsewhere in this Offering Circular. The Audited Consolidated Financial Statements were prepared and presented in accordance with PRC GAAP and have been audited by ShineWing in accordance with Auditing Standards for Certified Public Accountants in China. The Group's summary consolidated financial information as of and for the six months ended 30 June 2020 and 2021 set forth below has been extracted from the Consolidated Interim Financial Statements, which are included elsewhere in this Offering Circular. The Consolidated Interim Financial Statements were prepared and presented in accordance with PRC GAAP and have been reviewed but not audited by Da Hua. PRC GAAP differs in certain material respects from IFRS. See "Summary of Certain Differences Between PRC GAAP and IFRS".

In April 2020, the Group announced a proposed alignment in the preparation of financial statements in accordance with PRC GAAP and disclosure of such financial information in both domestic and overseas markets. Such alignment was made to increase efficiency and save costs by simplifying working procedures and communication between domestic and overseas auditors. On 10 June 2020, the proposed alignment was approved by the shareholders of the Guarantor and has been adopted beginning with the unaudited but reviewed consolidated interim financial statements as of and for the six months ended 30 June 2020.

The Group's summary consolidated financial information as set forth below should be read in conjunction with, and is qualified entirely by reference to, the Group's relevant consolidated financial statements and the notes thereto included elsewhere in this Offering Circular.

SUMMARY CONSOLIDATED INCOME STATEMENT OF THE GROUP

	For the year ended 31 December			For the six months ended 30 June	
	2018	**2019**	**2020**	**2020**	**2021**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
	(Audited)	*(Audited)*	*(Audited)*	*(Unaudited but reviewed)*	*(Unaudited but reviewed)*
Total operating income	**1,649,662**	**2,372,527**	**3,103,302**	**1,249,975**	**2,336,041**
Net interest income	259,733	28,498	101,098	18,375	80,658
Net fee and commission income	735,357	961,128	1,172,198	513,950	721,449
Including: Brokerage business	433,553	517,788	790,645	344,065	385,141
Investment banking	116,558	246,804	206,757	98,977	266,921
Assets management	99,572	65,065	47,316	20,062	17,289
Investment income	476,464	929,912	606,653	363,055	311,516
Including: Investment income from associates and joint ventures	18,018	41,652	53,783	34,784	54,398

	For the year ended 31 December			For the six months ended 30 June	
	2018	**2019**	**2020**	**2020**	**2021**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
	(Audited)	*(Audited)*	*(Audited)*	*(Unaudited but reviewed)*	*(Unaudited but reviewed)*
Gains on changes in fair value (or less: losses)	(106,414)	(165,218)	(48,524)	(65,586)	163,830
Gains on foreign exchange (or less: losses)	(2,532)	(2,411)	(3,348)	(2,760)	(281)
Other operating income	283,220	588,755	1,264,503	414,431	1,050,097
Gains from assets disposal (or less: losses)	0	22,972	(21)	1	8
Other income	3,833	8,891	10,743	8,509	8,766
Total operating cost	**1,568,809**	**2,258,792**	**2,954,486**	**1,185,589**	**2,030,792**
Taxes and surcharges	13,394	14,421	19,375	9,440	10,750
Business and administrative expenses	1,002,556	1,303,740	1,334,085	620,062	845,336
Expected credit losses	287,683	349,698	344,961	140,402	146,191
Other assets impairment losses	31,893	9,761	31,841	22,935	1,272
Other operating costs	233,284	581,172	1,224,223	392,750	1,027,243
Operating profit	**80,852**	**113,735**	**148,816**	**64,386**	**305,249**
Add: Non-operating income	23,140	9,408	5,860	1,136	2,205
Less: Non-operating expenditures	2,874	7,026	10,646	7,103	401
Profit before income tax	**101,117**	**116,118**	**144,030**	**58,419**	**307,052**
Less: Income tax expenses	5,260	41,035	41,911	24,736	74,614
Net profit	**95,858**	**75,083**	**102,119**	**33,684**	**232,438**
Net profit from continuing operations	95,858	75,083	102,119	33,684	232,438
Net profit attributable to owners of parent company	65,788	58,223	104,302	30,851	228,962
Net profit attributable to non-controlling interests	30,070	16,860	(2,183)	2,833	3,476
Total comprehensive income	**140,056**	**87,500**	**78,125**	**38,002**	**234,319**
Items attributable to owners of parent company	88,746	66,559	80,308	35,170	230,843
Items attributable to non-controlling interests	51,310	20,941	(2,183)	2,833	3,476
Earnings per share (EPS)					
(Expressed in RMB per share)					
Basic EPS	0.02	0.02	0.02	0.01	0.05
Diluted EPS	0.02	0.02	0.02	0.01	0.05

Note:

* Less than 1,000

SUMMARY CONSOLIDATED BALANCE SHEET OF THE GROUP

	As of 31 December			As of 30 June
	2018	2019	2020	2021
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
	(Audited)	*(Audited)*	*(Audited)*	*(Unaudited but reviewed)*
Assets				
Cash and bank balances	7,261,763	9,331,749	10,951,131	12,221,997
Including: Cash held for brokerage clients	4,654,822	6,581,562	8,193,683	9,066,079
Clearing settlement funds	2,340,353	2,518,050	2,379,100	2,516,955
Including: Clearing settlement funds for brokerage clients	2,264,515	2,347,142	2,287,871	2,009,633
Margin accounts receivable	4,720,498	6,060,740	7,400,757	7,586,183
Derivative financial assets	62,986	11,384	—	—
Refundable Deposits	282,711	395,170	744,879	876,032
Accounts receivable	93,242	153,912	169,324	90,311
Financial assets held under resale agreement	8,916,569	3,023,889	2,055,965	1,630,483
Assets held for sale	234	—	—	—
Financial investment				
Financial asset at fair value through profit or loss	13,931,756	17,227,019	22,592,572	23,517,387
Financial instruments at amortised cost	693,894	676,390	456,169	365,682
Financial instruments at fair value through other comprehensive income	725,628	664,695	2,088,805	1,828,566
Long-term equity investments	948,413	1,104,721	1,067,276	1,120,234
Investment properties	18,105	17,290	16,474	16,069
Fixed assets	217,063	193,032	179,004	177,536
Construction in progress	11,974	35,578	52,427	53,332
Right-of-use assets	—	184,978	163,033	142,410
Intangible assets	158,630	157,210	188,018	181,447
Deferred income tax assets	251,316	345,626	464,735	560,050
Goodwill	22,042	22,372	19,883	19,740
Other assets	1,498,106	1,446,099	1,387,323	1,368,156
Total assets	**42,155,283**	**43,569,902**	**52,376,876**	**54,272,569**

	As of 31 December			As of 30 June
	2018	2019	2020	2021
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
	(Audited)	*(Audited)*	*(Audited)*	*(Unaudited but reviewed)*
Liabilities				
Short-term loans	1,874,987	1,568,748	315,978	323,051
Short-term financing instruments payable	4,674,229	4,455,447	4,154,658	7,862,025
Due to banks and other financial institutions.	2,241,402	2,361,160	3,694,418	2,504,430
Financial liabilities at fair value through profit or loss	380,027	1,114,552	1,356,227	1,061,718
Derivative financial liabilities	—	84	58	346
Financial assets sold under repurchase agreements	10,171,790	8,721,089	12,200,308	11,656,082
Accounts payable to brokerage clients	6,561,060	8,895,067	10,555,231	11,339,803
Employee benefits payable	337,210	478,666	561,933	568,361
Taxes payable	59,563	56,986	131,604	171,360
Accounts payable	323,196	183,081	65,875	170,405
Contract liabilities	—	20,445	26,496	43,505
Long-term borrowings	—	13,203	1,002	1,002
Bonds payable	4,097,519	4,623,940	4,610,250	3,556,994
Lease liabilities	—	177,837	157,699	143,541
Deferred income tax liabilities	3,461	8,258	14,242	22,280
Other liabilities	155,797	393,553	344,423	534,434
Total liabilities	**30,880,243**	**33,072,116**	**38,190,399**	**39,959,336**
Equity				
Share capital	3,869,071	3,869,071	4,642,885	4,642,885
Capital reserve	3,756,107	3,487,238	6,330,623	6,322,819
Other comprehensive income	28,207	36,544	12,549	14,430
Surplus reserve	759,912	808,084	838,358	838,358
General risk reserve	1,298,870	1,382,039	1,441,519	1,442,455
Retained earnings	238,732	88,233	102,781	251,878
Total equity attributable to owners of the parent company	9,950,899	9,671,208	13,368,715	13,512,825
Non-controlling interests	1,324,141	826,578	817,761	800,408
Total equity	**11,275,040**	**10,497,786**	**14,186,476**	**14,313,232**
Total liabilities and equity	**42,155,283**	**43,569,902**	**52,376,876**	**54,272,569**

SUMMARY CASH FLOW STATEMENT DATA OF THE GROUP

	For the year ended 31 December			For the six months ended 30 June	
	2018	2019	2020	2020	2021
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
	(Audited)	*(Audited)*	*(Audited)*	*(Unaudited but reviewed)*	*(Unaudited but reviewed)*
Net cash flows from operating activities	1,591,521	3,488,340	1,370,803	3,066,072	(1,282,744)
Net cash flows from investing activities	(1,014,804)	(86,455)	(1,335,440)	(35,427)	293,403
Net cash flows from financing activities	(1,959,380)	(1,196,113)	1,474,831	(441,326)	2,398,114
Effect of foreign exchange rate changes on cash and cash equivalents	(2,532)	(2,411)	(3,348)	(2,760)	(281)
Net increase/(decrease) in cash and cash equivalents	(1,385,195)	2,203,360	1,506,847	2,586,559	1,408,492
Add: Opening balance of cash and cash equivalents	10,987,311	9,602,116	11,805,476	11,805,476	13,312,322
Closing balance of cash and cash equivalents	9,602,116	11,805,476	13,312,322	14,392,035	14,720,815

RISK FACTORS

Prior to making any investment decision, prospective investors should consider carefully all of the information in this Offering Circular, including the risks and uncertainties described below. The business, financial condition or results of operations of the Group could be materially adversely affected by any of these risks. The Issuer and the Guarantor believe that the following factors may affect their ability to fulfil their respective obligations under the Bonds and/or the Guarantee. All of these factors are contingencies which may or may not occur and the Issuer and the Guarantor are not in a position to express a view on the likelihood of any such contingency occurring. Factors which the Issuer and the Guarantor believe may be material for the purpose of assessing the market risks associated with the Bonds and the Guarantee are also described below.

The Issuer and the Guarantor believe that the factors described below represent the principal risks inherent in investing in Bonds, but the inability of the Issuer and the Guarantor to pay principal, interest (if any) or other amounts or fulfil other obligations on or in connection with any Bonds and the Guarantee may occur for other reasons and the Group do not represent that the statements below regarding the risks of holding the Bonds are exhaustive. Additional risks and uncertainties of which the Group is not aware or that the Group currently believes are immaterial may also adversely affect the business, financial condition and results of operations of the Group, as the case may be.

RISKS RELATING TO THE GROUP'S BUSINESS AND THE PRC SECURITIES INDUSTRY

The PRC securities industry is highly and increasingly competitive.

The PRC securities industry is highly and increasingly competitive. As such, the Group faces intense competition in most of its business segments from both domestic and foreign securities companies. For instance, in respect of its brokerage business, the Group mainly competes with other PRC securities companies in terms of pricing and the range of products and services offered. Other securities companies in China with similar service scope, business scale and nationwide operations are the Group's major competitors. Fund management companies, commercial banks, insurance companies and trust companies may also compete with the Group in certain sectors. Such competition involves various factors, including range of products and services, market penetration, pricing, customer service, innovation capability, marketing and sales channels, perceived financial strengths, deal execution capability, brand recognition and employee compensation. There is a trend of increasing business concentration to large securities companies with higher level of risk endurance due to their balanced business structure during the volatility period of the industry. Meanwhile, its traditional securities brokerage business and investment banking business are in the progress of transformation to a diversified offering of products and services. The Group is also exposed to intense competition from international financial institutions in both China and overseas markets as the Group plans to expand its international financial services business. As China gradually lifts the restrictions on foreign-owned securities companies, such foreign companies will continue with their broad and in-depth development in China's securities industry, which further intensifies the competition in this industry.

The Group's competitors may possess certain competitive advantages, including, among others, greater financial resources, a broader portfolio of financial product and services, wider geographic coverage, better understanding of local markets and advanced management experience. In recent years, with regulatory changes and other factors that contribute to the gradual relaxation of the PRC securities regulations, other financial institutions such as domestic commercial banks, insurance companies and trust companies have expanded into, or are seeking to enter into, the traditional business segments of securities companies such as investment banking, asset management and wealth management services through establishment of new business or acquisitions utilising their advantages in capital, channels and client resources. If regulations on comprehensive operation changes in the future, the competition in the securities industry may become more intensive. For instance, in March 2015, the CSRC announced that it was evaluating a proposal to lift the previous barrier of the PRC securities industry to other financial institutions such as commercial banks, but did not provide a timetable on when the new policy would be implemented. Allowing PRC commercial banks to enter the securities industry may intensify market competition in brokerage, investment banking, investment management and other businesses, as commercial banks generally have greater financial resources, wider branch networks and larger client bases compared with securities companies. Such deregulation trend of the PRC securities industry could also attract more foreign financial institutions to enter the PRC market to conduct investment banking and other related businesses. In addition, as China gradually increases the shareholding cap of foreign investors in securities companies and broadens the business scopes of foreign-invested securities companies, international investment banks with strong capital, advanced business capabilities may participate in the PRC securities markets, which will further increase the competitive pressure on the domestic securities companies such as the Group to maintain and expand its client base and market share. On 20 July 2019, the Office of the Financial Stability and Development Committee under the State Council issued the Relevant Measures for Further Opening Up the Financial Industry (《關於進一步擴大金融業對外開放的有關舉措》), which announced that the timeline of lifting the restriction on the ratio of foreign stakes in securities companies, fund management companies and futures companies was brought forward from the scheduled 2021 to 2020. The restriction on the foreign investors' shareholding in securities companies in China has been lifted since 1 April 2020. In 2021, a number of world-leading foreign investment banks established wholly-owned securities companies in China.

Moreover, in recent years, internet financial services companies have entered the PRC financial industry with large client bases and advantages in providing innovative services through the internet. Their services may be considered by the Group's clients or potential clients as a favourable alternative for managing their funds or fulfilling their needs for investments.

There can be no assurance that the Group will be able to maintain high quality services, maintain or raise its service fee rate, continue to introduce new products and services that address the needs of its clients, or maintain and expand its customer base. As a result, the Group's business, financial condition and results of operations may be materially and adversely affected.

Adverse macro-economic and market conditions may materially and adversely affect the Group's business.

A substantial majority of the Group's operating income is derived from China. As a result, any material and adverse changes in macro-economic conditions in China may have a material and adverse effect on the Group's business, financial condition and results of operations. According to the National Statistics Bureau of the PRC, the PRC economy grew at a generally slower pace in recent years than in previous years, with a yearly real GDP growth rate of 6.7 per cent., 6.0 per cent. and 2.3 per cent. in 2018, 2019 and 2020, respectively. The outbreak of COVID-19 has also had a significant impact and further increased uncertainty on the future growth of the PRC economy.

A substantial majority of the Group's operating income is derived from the securities markets. Like other businesses operating in the same industry, its business is directly affected by the inherent risks associated with the securities markets, such as economic cycles, market volatility, macroeconomic and monetary policies, legislation and regulations affecting the financial and securities industries, fluctuations in the trading volume and the credit capacity or perceived credit worthiness of the securities industry in the marketplace, inflation, interest rates levels, supply and costs of funding and currency fluctuations. As China's capital markets are still at an early stage of development, market conditions may change suddenly and dramatically, which could materially and adversely affect the business, financial condition and results of operations of the Group. As a PRC listed company, in particular, the Group is affected by the volatility in the PRC securities market, which there can be no assurance that would not continue into the future. For instance, according to the official website of the SSE where the Company is listed, its total trading volume decreased by 21.1 per cent. from RMB51,124.3 billion in 2017 to RMB40,318.4 billion in 2018, and then increased by 34.9 per cent. to RMB54,384.4 billion in 2019, and then further increased by to RMB61,754.4 billion in 2020. According to its official website, the CSI300 Index decreased by 25.3 per cent. from 4,030.85 point as of 29 December 2017 to 3,010.65 point as of 28 December 2018, and then increased by 36.1 per cent. to 4,096.58 point as of 31 December 2019 and increased by 27.2 per cent. to 5211.29 point as of 31 December 2020. Unfavourable economic and financial conditions globally, such as the financial instability in the U.S. and the ongoing trade friction between the United States and the PRC, with the imposition of new bilateral and retaliatory tariffs between China and the U.S. and the uncertainty attached, have also had adverse impact on the securities market conditions in China, which in turn affected on the Group's commission and fees from brokerage, investment banking and investment management business, as well as the returns on financial assets and investments of the Group.

In addition, for the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, the Group derived a considerable proportion of its total operating income from its principal businesses across the capital markets, namely brokerage business, investment banking business, investment management business, proprietary trading business, credit business, futures business and overseas business. As a result, any material and adverse changes in the stock markets, debt markets, futures markets and derivative markets may have a material and adverse effect on the Group's business, financial condition and results of operations. There can be no assurance that the Group's operations will not be materially and adversely affected by securities market volatility again in the future.

The future performance of China's economy is not only affected by the economic and monetary policies of the PRC Government, but it is also exposed to material changes in global economic and political environments, as well as the performance of certain major developed economies in the world. For example, the international trade environment and various governments' trade and economic policies, particularly the recent trade conflicts between China and the United States, may cause uncertainties to China's economy and financial, foreign exchange and capital markets. In addition, the United Kingdom's exit from the European Union took place on 31 January 2020, in which the United Kingdom legally revoked its membership in the European Union ("**Brexit**"). The United Kingdom then entered into the transition period which was agreed between the British government and the European Union. On 24 December 2020, the United Kingdom and the European Union reached the EU-UK Trade and Cooperation Agreement, setting out the new rules that will apply from 1 January 2021. The transition period ended on 31 December 2020 and the United Kingdom left the European Union single market and customs union. Brexit may continue to create negative economic impact and increase volatility in global markets, including but not limited to further decreases in global stock exchange indices, increased foreign exchange volatility (in particular a further weakening of the pound sterling and euro against other leading currencies) and a possible economic recession involving more countries and areas. Any unfavourable economic and financial conditions globally may have adverse impact on the securities market conditions in China, which in turn affected on the Group's commission and fees from brokerage, investment banking and investment management business, as well as the returns on financial assets and investments of the Group.

Adverse financial or economic conditions, and securities market volatility, could discourage investor confidence and reduce securities trading and corporate finance activities, which may adversely affect the commission and fee income from the Group's brokerage business and the underwriting commissions and fees from the Group's investment banking business. Under unfavourable financial or economic conditions, the value of the Group's investment management portfolio may be adversely affected and, therefore, reduce the management fees the Group earns from its investment management business, and the Group may be faced with an influx of client redemptions in its investment management portfolio, which in turn could also adversely affect the operating income from the Group's investment management business. In addition, unfavourable financial or economic conditions and market volatility could also increase the risk of default in the margin financing and securities lending the Group provides to its clients, and its proprietary trading business may also be adversely affected by the reduction in the value of the Group's trading and investment positions. Certain of these capital market services are also conducted overseas and may thus adversely affect the operating income generated from the Group's overseas business.

The business operations of the Group are concentrated in the PRC and Hong Kong and any material deterioration in the public health, economic, political and regulatory environment in the PRC and Hong Kong could materially and adversely affect the business and prospects of the Group.

Substantially all of the Group's business operations are carried out in the PRC and Hong Kong. Therefore, the Group's business, results of operations and prospects are highly susceptible to any development or change in government policies, as well as economic, social, political and legal developments in the PRC and Hong Kong. For the risks associated with any adverse change or uncertainty in local economic and market conditions affecting the finance sector in the PRC and Hong Kong, see "*Adverse macro-economic and market conditions may materially and adversely affect the Group's business*" above.

The PRC economy has experienced rapid growth in the past 40 years. However, there has been a slowdown in the growth of the PRC's GDP since the second half of 2013 and this has raised market concerns that the historic rapid growth of the economy of the PRC may not be sustainable. According to the National Statistics Bureau of the PRC, in 2019, the annual growth rate of China's GDP dropped down to 6.0 per cent. on a year-on-year basis. Entering 2020, the outbreak of COVID-19 pandemic and large-scale quarantine and shutdown measures implemented by the PRC government has led to a further slowdown of economic growth in the PRC. The annual growth rate of China's GDP further dropped to 2.3 per cent in 2020. Although the PRC government has recently taken several measures and actions with an aim to increase investors' confidence in the PRC economy, there can be no assurance that those measures will be effective. If the PRC's economy experiences a continued slowdown in growth or a downturn in the future, the Group's PRC business and its ability to implement any growth strategies involving the PRC could be materially and adversely affected.

Further, events which adversely impact investors' confidence and risk appetite, such as the COVID-19 pandemic, civil disturbances and/or general deterioration of the local economy, may lead to a reduction in investment or trading activities and in turn the Group's business performance. Although Hong Kong has enjoyed a high degree of legislative and judicial autonomy since it became a Special Administrative Region of the PRC on 1 July 1997, actual or perceived increases in the exercise of PRC sovereignty over Hong Kong may contribute to the perception that such autonomy is being decreased. If Hong Kong's financial markets are disrupted by any such actual or perceived decrease in Hong Kong's autonomy, Hong Kong's reputation and standing as a safe and reliable commercial hub may decline, which would negatively affect Hong Kong's economy. Any adverse changes in local economic, social and political conditions may lead to a prolonged period of sluggish market activity which would in turn have an adverse impact on the business and operating performance of the Group.

Development of the Group's investment banking business is subject to regulatory approvals, market conditions and other factors beyond the Group's control.

For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, the operating income generated from the Group's investment banking business amounted to approximately RMB85.1 million, RMB209.3 million, RMB178.9 million, RMB82.4 million and RMB261.3 million, representing approximately 5.2 per cent., 8.8 per cent., 5.8 per cent., 6.6 per cent. and 11.2 per cent. of its total operating income, respectively, before inter-segment elimination. The Group's investment banking business is subject to uncertainty of regulatory approval. The primary offering of securities in the PRC, especially the IPOs, shall meet the conditions prescribed by laws and administrative regulations, and shall be legally reported to the securities regulatory authority of the State Council or the department authorised by the State Council for registration. Certain types of M&A of listed companies, is subject to a merit-based review and approval by various regulatory authorities. The result and timing of these reviews are beyond the control of the Group and there may be substantial delays to, or the termination of, securities offerings underwritten or sponsored by, and M&A advised by, the Group. There can be no assurance that such approvals will be granted in a timely manner or at all in the future. Such delay or termination could harm the Group's reputation, erode client confidence and reduce its income from underwriting fees, sponsor fees and financial advisory fees, as the Group receives most of its fees on the condition of the successful completion of transaction.

The Group's investment banking business may subject to domestic or overseas regulatory sanctions, fines, penalties, investor compensation or other disciplinary actions and other legal liabilities if the Group's due diligence or its ongoing supervision is inadequate, or an issuer, its agents, other sponsors and underwriters or the Group's employees commit fraud or misconduct, or there is a misstatement or omission in the disclosure documents, or there is another illegal or improper activity during the course of the sponsorship and underwriting or advisory process.

In addition, the Group's investment banking business is affected by market conditions and underwriting arrangements. Adverse market conditions and capital market's volatility may also result in delays to, or the termination of, securities offerings underwritten or sponsored by, and M&A advised by, the Group, or a general decrease in financing and M&A activities. Further, if the Group enters into underwriting arrangements with its clients on a firm commitment basis due to substantial capital market volatility, the Group may be required to purchase the entire unsubscribed portion for the Group's own account, which may materially and adversely affect the Group's liquidity. After trading begins, if the Group sells the securities on its own account to investors below the offer price at which it is committed to purchase, it would incur losses on the sales of those securities.

Further, the Group may be forced to reduce its underwriting, sponsor and advisory fee rate to stay competitive under the pressure of intensifying price competition in investment banking business. This could result in a corresponding decrease in the Group's underwriting fees, sponsor fees and financial advisory fees, which could adversely affect its business, financial condition and results of operations.

The Group's brokerage commission and fee income from its brokerage business may not continue to grow or be sustainable.

Operating income from the brokerage business represents a significant portion of the Group's total operating income. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, the operating income generated from the Group's brokerage business amounted to approximately RMB937.4 million, RMB1,392.4 million, RMB892.9 million, RMB342.6 million and RMB346.8 million, respectively, representing approximately 56.8 per cent., 58.7 per cent., 28.8 per cent., 27.4 per cent. and 14.8 per cent. of its total operating income, respectively, before inter-segment elimination. In 2020, the Group transformed its business segments and separated its brokerage business relating to futures products from its brokerage business segment and named it as futures business. Revenue from futures business segment is primarily derived from the commissions and fees the Group charges its clients for futures brokerage, futures investment consultation, futures asset management and risk management. For the year ended 2020 and the six months ended 30 June 2021, the operating income generated from the Group's futures business amounted to approximately RMB1,354.1million and RMB1,074.3 million, respectively, representing approximately 43.6 per cent. and 46.0 per cent. of its total operating income, respectively, before inter-segment elimination.

The Group's brokerage fee and commission income is dependent on market trading volumes, which may be affected by investor sentiment, volatility in financial markets and deteriorating investor sentiment. For instance, due to the highly volatile market conditions in China, the average daily trading volume on the PRC stock market decreased by 17.64 per cent. to RMB413.9 billion in 2018 from RMB458.6 billion in 2017. As a result, the Group's securities brokerage services net income has decreased to RMB433.6 million in 2018, representing a year-on-year decrease of 20.4 per cent. The PRC securities markets are newly emerging markets characterised by short-term investing behaviour among investors, which has resulted in high trading volumes by the Group's clients. However, as the capital markets in China mature and the Group's clients become more sophisticated, they may reduce their high trading volumes in the future, which could materially and adversely affect the commission and fee income from the Group's brokerage business.

The Group's brokerage fee and commission income may also be affected by the downward trend in brokerage commission rates. The number of registered securities companies in the PRC has been increasing over the years. Their commission rates have been lowered as a result of the intense price competition in recent years. In addition, with competitors expanding their online brokerage businesses, retail brokerage commission rates in the industry will likely further decrease.

In addition, the Group's brokerage fee and commission income may be affected by increases in supply of securities brokerage as a result of changes in the competitive environment of the PRC securities industry. In April 2015, China Securities Depository and Clearing Corporation Limited revoked the long-standing "one investor one account" restriction for PRC investors. The changes in the number of permissible securities accounts held by investors may lead to a decrease in the number of clients who use the Group's brokerage services and/or the volume of trades by such clients, which pose a significant challenge for the Group to retain existing clients and attract new clients. The participation in the PRC securities industry of new competitors, including, among others, PRC commercial banks and foreign-invested securities companies, may further increase the supply of securities brokerage services.

As a result, there can be no assurance that the Group's brokerage commission and fee income can be sustained at current levels or increase to a higher level, which may materially and adversely affect its business, results of operations and financial condition.

The Group may not be able to maintain the increase of its management and incentive fees from its investment management business.

For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, the operating income generated from the Group's investment management business amounted to approximately RMB223.8 million, RMB198.0 million, RMB85.2 million, RMB50.7 million and RMB128.8 million, respectively, representing approximately 13.6 per cent., 8.3 per cent., 2.7 per cent., 4.1 per cent. and 5.5 per cent. of its total operating income, respectively, before inter-segment elimination.

The Group receives management fees based on the value of its customer portfolios or investment in the Group's managed funds. In addition, the Group may also earn incentive fees through collective asset management, targeted asset management and specific asset management schemes. Investment performance affects the Group's AUM and is one of the most important factors in attracting its clients and competing for new asset management business. Limited investment options and hedging strategies as well as adverse economic condition and high market volatility in the PRC, could adversely affect the Group's ability to provide stable returns for its clients, which in turn affect the Group's ability to maintain or expand its customer base. Poor investment performance could adversely affect the Group's operating income and growth because:

- existing clients might withdraw funds from the Group's investment management business in favour of better performing products provided by the Group's competitors, which would result in lower management fees for the Group;

- clients may request that the Group should lower its fees for investment management services, particularly in an intensely competitive industry; and

- the Group's performance fees, which are based on a percentage of investment returns, would decline.

In addition, the Group's management fees and incentive fees, or market share, may decrease due to the increased competition from other securities companies, fund management companies, insurance companies, trust companies, commercial banks and other financial institutions in China. If the Group fails to increase its AUM, the Group may not be able to take advantage of potential benefits, such as economies of scale and investment strategies with larger capital requirements. This lack of scale could adversely affect the Group's ability to compete and its results of operations and financial condition. Further, the recent introduction of Mainland-Hong Kong Mutual Recognition of Funds allows approved fund products to be offered abroad, which in turn may increase competition and affect the Group's income from management fees and incentive fees of its investment management business.

The performance of the Group's proprietary trading business is affected by a number of uncertainties.

For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, the operating income generated from the Group's proprietary trading business amounted to approximately RMB83.6 million, RMB421.4 million, RMB124.2 million, RMB50.0 million and RMB233.1 million, respectively, representing approximately 5.1 per cent., 17.8 per cent., 4.0 per cent., 4.0 per cent. and 10.0 per cent. of its total operating income, respectively, before inter-segment elimination. The Group invests in a diversified suite of financial products, including equity securities and fixed income products for its own account, which are subject to volatility in the securities markets. The results of the Group's trading activities generally correlate with the performance of the PRC securities markets. The Group also engages in derivative transactions involving, among others, index futures, commodity futures and stock options. The Group uses derivative instruments to reduce the impact of price volatility on its investment portfolio. However, limited hedging options against volatile market and the types of financial investment products available may make it difficult for the Group to reduce its exposure to fluctuations in price volatility on its investment portfolio, and the derivatives it uses may not be as effective as it expects. In addition, the derivatives contracts that the Group enters into expose it to the risks associated with these instruments and its underlying assets, which could result in substantial losses. The Group may also have inadequate experience in managing new products or trading derivative products on the secondary market for derivatives.

Changes in securities-related regulations may lead to limitations on the Group's trading activities. For instance, since September 2015, CFFE has raised margin requirements for stock index futures and treated opening daily positions of more than ten contracts by an investor on a single stock index future as "abnormal trading". CFFE has also increased the fees for settling positions. Since February 2017, CFFE has lowered the margin requirements and the fees for settling positions for stock index futures. In 31 May 2019, CFFE announced that since 3 June 2019, it would implement the cross-species one-way large side margin system for stock index futures, which would significantly increase the use of investors' funds and reduce the operating costs of the stock index futures market. At the same day, CFFE also issued the amended China Financial Futures Exchange Risk Control Management Measures and China Financial Futures Exchange Management Measures for Abnormal Transactions, which added the transaction limitation system and raised the system level of abnormal transaction management. These measures impact short-selling and block trading activities and may in turn affect the Group's ability to hedge its proprietary trading positions.

The performance of the proprietary trading business of the Group is determined by its investment decisions and judgements based on its assessment of existing and future market conditions. The Group closely monitors the market value and financial performance of its proprietary trading portfolio, and actively adjusts such portfolio and allocates assets based on market conditions and internal risk management guidelines. However, the investment decisions of the Group are a matter of judgement, which involves management discretion and assumptions. If the decision-making process of the Group fails to minimise losses effectively while capturing gains, or its forecasts do not conform to actual changes in market conditions, or the concentration risks resulting from the Group's investment decisions, including risks from holding particular assets or asset classes, the Group's proprietary trading activities may suffer material losses and not achieve its anticipated investment returns, any of which could materially and adversely affect the Group's business, financial condition and results of operations.

In addition, certain classes of the assets of the Group, such as its available-for-sale securities, are marked to market. A decline in the value of the Group's available-for-sale securities may result in the recognition of impairment losses if management determines that such a decline in value is not temporary. This evaluation is a matter of judgement, which includes the assessment of several factors. If the Group's management determines that an asset is impaired, the book value of the asset is adjusted and a corresponding loss is recognised in current earnings. Deterioration in the market value of available-for-sale securities could result in the recognition of impairment loss.

Growth and expansion of the Group's overseas business may be materially and adversely affected by any significant disruption in the operations of its subsidiaries in Hong Kong.

For the year ended 31 December 2018, the operating income generated from the Group's overseas business amounted to approximately RMB95.9 million representing approximately 5.8 per cent. of its total operating income, before inter-segment elimination. For the years ended 31 December 2019 and 2020 and the six months ended 30 June 2020 and 2021, the Group recorded an operating loss from its overseas business amounting to approximately RMB178.2 million, RMB29.8 million, RMB44.8 million and RMB25.4 million, respectively, before inter-segment elimination. The Group conducts securities brokerage, investment banking, fixed income and futures and other licensed businesses in Hong Kong. In 2018, 2019 and 2020 and the first half year of 2021, the Group generated substantially all of the operating income/loss from its overseas business from its operations in Hong Kong. Accordingly, its overseas business depends on the results of operations of the Company's subsidiaries. There can be no assurance that the Group's Hong Kong operations through such subsidiaries may sustain the same level of growth or profitability. Changes in the general economic and market conditions in Hong Kong, along with other various external factors beyond the Group's control, may significantly affect the Group's overseas business. For instance, the Hong Kong economy has experienced significant downturns in the past, including, among others, in connection with the outbreak of SARS in 2003, the global financial crisis in 2008, and the stock disasters in 2015 and 2016, and the recession triggered by the COVID-19 pandemic until recently. In addition, COVID-19 has led to significant volatility in global markets across all asset classes, including stocks, bonds, oil and other commodities and this volatility may persist for some time. These economic downturns resulted in substantial losses in the securities markets, significant deterioration in customers' asset quality and increases in the cost of funding in the offshore markets. Any significant disruption in the operations of its subsidiaries in Hong Kong may have a material adverse effect on its business, financial condition, results of operations and prospects.

The Group may experience difficulties in managing offshore operations, including complying with various regulatory and legal requirements of different jurisdictions, and obtaining approvals and necessary licences. In addition, the Group's overseas business growth and expansion may subject to differences in accounting treatment in different jurisdictions, potential adverse tax implications and foreign exchange losses, challenges in providing products, services and support, in recruiting in these offshore markets, and in managing the sales channels and offshore distribution networks effectively, limited protection for intellectual property rights, its inability to effectively enforce its contractual or legal rights, and local political and economic instability or civil unrest.

The Group may be subject to liability and reputational damage for distribution of financial products issued by third-party institutions.

The Group distributes, through its branch network and online platform, financial products issued by third-party institutions. The structure of some financial products may be complex and involve various risks. Although as a third-party distributor, the Group is not liable for any investment loss or default directly derived from the financial products it distributed to its clients, the Group may be subject to client complaints, litigation, regulatory investigation and negative news or comments, which could have an adverse effect on its reputation, client relationships, business and prospects.

The Group's business is subject to concentration risks as a result of significant holdings of financial assets or significant capital commitments.

Certain business segments of the Group are capital intensive, such as its investment banking, proprietary trading, and margin financing and securities lending. As a result, the Group may have significant holdings of selected asset classes or bank and other borrowings. Such capital commitments expose the Group to concentration risks, including market risk, in the case of its holdings of concentrated or illiquid positions in a particular asset class as part of its proprietary trading, and credit risk, in the case of its margin financing and securities lending. Any decline in the value of the Group's asset holdings may reduce its income or result in losses, which may in turn adversely affect its business, financial condition and results of operations.

A significant decrease in the Group's liquidity could adversely affect its business development and customers' confidence.

As the Group continues to expand its investment banking, proprietary trading and other business activities with substantial cash requirements, maintaining adequate liquidity is crucial to its business operations. The Group meets its liquidity needs primarily through cash generated by operating activities and, to a lesser extent, cash provided by external financing. The Group's liquidity may be impaired by an inability to access the short- and long-term debt and equity markets, an inability to sell assets at market prices, or at all, or unforeseen outflows of cash or collateral. This situation may arise due to circumstances that the Group may be unable to control, such as a general market disruption or an operational problem that affects the Group's counterparties or itself, or even by the perception among market participants that the Group, or other market participants, are experiencing greater liquidity risk. Furthermore, the Group's ability to sell its assets may be impaired if other market participants are seeking to sell similar assets at the same time, as is likely to occur in a liquidity stress or other market crisis. If the Group's available funding is limited, or the Group is forced to fund its operations at a higher cost, then these conditions may require the Group to curtail its business activities and increase its cost of funding, both of which could reduce the Group's profitability. Reduced liquidity could diminish the confidence of its customers or counterparties in the Group, which may result in the loss of business and customer accounts. In addition, the CSRC and the SAC impose regulatory requirements on PRC securities companies' liquidity-related ratios. For instance, the Group's net equity/net asset ratio cannot fall below a certain minimum threshold. Failure to comply with these requirements may result in the CSRC and the SAC imposing penalties on or taking disciplinary actions against the Group, or limiting the business scope of the Group, which could in turn have a material and adverse effect on the Group's financial condition and results of operations.

Factors that may adversely affect the Group's liquidity position include a significant increase in its margin financing activities, failure to liquidate financial asset investments at reasonable prices, early redemption of the Group's bond repurchase transactions by its clients, the Group's inability to timely refinance its short-term notes, a significant amount of underwriting on a firm commitment basis, over-concentration of holdings in certain assets or asset classes, mismatch of durations of assets and liabilities, more stringent regulatory capital requirements or other regulatory changes, substantial investments, or a loss of market or client confidence. When cash generated from the operating activities of the Group is not sufficient to meet its liquidity or regulatory capital needs, it must seek external financing. During periods of disruptions in the credit and capital markets, potential sources of external financing could be limited and the borrowing costs of the Group could increase, and financing may not be available on terms acceptable to the Group, or at all, due to unfavourable market conditions and disruptions in the credit and capital markets.

The Group is subject to extensive and evolving regulatory requirements.

As a participant in the securities and financial services industries, the Group is subject to extensive PRC and offshore regulatory requirements, which are designed to ensure the integrity of the financial markets, the soundness of securities companies and other financial institutions, and the protection of investors. These regulations often serve to limit the activities of the Group by, among other things, imposing capital requirements, limiting the types of products and services it may offer, restricting the types of securities in which it may invest and limiting the number and location of branches it may establish. The PRC and overseas (including Hong Kong) regulatory authorities conduct periodic or ad hoc inspections, examinations and inquiries with respect to the Group's compliance with relevant regulatory requirements. Failure to comply with the applicable regulatory requirements may result in, and has from time to time resulted in, sanctions, fines and penalties, limitations and/or prohibitions on the Group's business activities. For example, the Group's asset management business is subject to extensive regulation by the CSRC and its local authorities. In the event that the Group did not conduct sufficient due diligence or failed to follow the agreed investment strategy or if there were any conflicts of interest issues, both the Group and the responsible key personnel might be subject to administrative penalties by the relevant authorities. Other potential disciplinary actions include a downgrade of the Group's regulatory rating, which may expose the Group to a higher risk capital reserve ratio, a higher ratio for the Group's securities investor protection fund and difficulties in obtaining relevant permits or approvals for new businesses and products. For instance, the Group's regulatory rating was downgraded from "A" to "C" in 2018, upgraded from "C" to "BBB" in 2019, further upgraded to "A" in 2020, and then was downgraded from "A" to "BBB" in 2021.

In spite of the efforts of the Group to comply with applicable regulations, there are a number of associated risks, particularly in areas where applicable regulations may be unclear or where regulators subsequently revise their previous guidance. Moreover, relevant rules and regulations could be revised from time to time based on the development of the securities markets. New rules and regulations, and changes in the interpretation or enforcement of existing rules and regulations, may directly impact the Group's business strategies and prospects. In addition, changes in the rules and regulations could result in limitations on the Group's business scope, changes to the Group's business practices or additional costs or taxes, which may adversely affect the Group's competitiveness. There are uncertainties regarding the enforcement of new rules and the existing rules and regulations in relation to new businesses. There is no guarantee that the Group will be able to fully comply with the new rules and regulations, interpretation of which may remain uncertain, or compete with new market players effectively, or efficiently adjust its business according to the new environment. Any such failure could materially and adversely affect the Group's business, financial condition and results of operations.

The Group's operations may be materially and adversely affected if it fails to obtain or maintain necessary approvals for conducting a particular business or offering specific products.

The Group operates in a highly regulated financial industry where many aspects of its business depend upon obtaining and maintaining the necessary approvals, licences or permits from government authorities, including the CSRC. The Group is required to comply with the relevant regulatory requirements prescribed by regulatory authorities, such as net capital, risk management, corporate governance, professional staff, corporate structure and compliance operations. The Group's compliance obligations will be subject to scrutiny in particular when it applies for approvals, licences or permits for conducting new businesses or offering new products. If the Group fails to continuously comply with the regulatory requirements, it may encounter the risks of being disqualified for its existing business or being rejected for renewal of its qualifications upon expiry by the regulatory authorities. In addition, in respect of any new business or new products that the Group contemplates, it may not be able to obtain the relevant approvals for developing such new business, if it fails to fully comply with the relevant regulations and regulatory requirements. As a result, the Group may fail to develop its new business as planned or recover its initial investments, or the Group may fall behind its competitors in such businesses or lose its existing customers.

Failure to meet the capital and other risk control measures requirements in China may adversely affect the Group's results of operations, financial condition and prospects.

The Group is subject to minimum capital and other requirements under the Administrative Measures for the Risk Control Indicators of Securities Companies in the PRC (《證券公司風險控制指標管理辦法》), which was amended and implemented on 20 March 2020, securities company which operates securities brokerage business, its net capital shall not be less than RMB20 million; securities company engages in securities underwriting and sponsorship, securities self-employment, securities asset management, or other securities business, its net capital shall not be less than RMB50 million; securities company operates securities brokerage business, and at the meanwhile engages in securities underwriting and sponsorship, securities self-employment, securities asset management, and other securities business, its net capital shall not be less than RMB100 million; securities company engages in two or more business among securities underwriting and sponsorship, securities self-employment, securities asset management, or other securities business, its net capital shall not be less than RMB200 million. The Group may implement various plans and measures from time to time, including but not limited to a non-public offering of shares, to meet such net capital requirements and promote the business development of the Group. As of the date of this Offering Circular, the Group is in compliance with all key capital adequacy and risk control indicator requirements. However, if the Group fails to meet the regulatory capital requirements in the future, the local regulatory authorities may impose penalties on the Group or restrict the scope of the Group's business, which in turn could have a material adverse effect on the Group's financial condition and results of operations.

The Group's historical financial results may not be indicative of its future performance.

The Group has maintained growth momentum in its total operating income in recent years. The Group's total operating income increased to RMB2,372.5 million in 2019 from RMB1,649.7 million in 2018 primarily due to recovery of the stock markets from volatility in the stock markets and decline in trading volumes in 2018, and then further increased to RMB3,103.3 million in 2020. For the six months ended 30 June 2021, the Group's operating income increased from RMB1,250.0 million for the six months ended 30 June 2020 to RMB2,336.0 million. Although the Group's net profit decreased from RMB95.9 million in 2018 to RMB75.1 million in 2019, primarily due to provision of credit impairment losses in 2019 in line with changes in PRC GAAP, it increased from RMB75.1 million to RMB102.1 million in 2020. For the six months ended 30 June 2021, the Group's net profit increased substantially from RMB33.7 million for the six months ended 30 June 2020 to RMB232.4 million. The Group's future results of operations may change materially if its future growth does not follow the historical trends for various reasons, including factors beyond its control, such as changes in economic environment and PRC environmental rules. In addition, some of the Group's emerging businesses and services have limited operating histories and thus make it difficult for potential investors to evaluate the Group's prospects. There is no assurance that the Group will be able to achieve continuous increase in total operating income or the Group will not record an operating loss in the future, which may have an adverse effect on the Group's ability to pay its debts, including the Bonds.

The Group's risk management policies and procedures and internal controls, as well as the risk management tools available to it, may not fully protect it against all risks inherent to its business and industry.

The Group has established internal risk management framework and procedures to manage its risk exposure, primarily including market risk, credit risk, liquidity risk, operational risk, compliance risk and legal risk. Such policies, procedures and internal controls may not be adequate or effective in mitigating the Group's risk exposure or protecting it against unidentified or unanticipated risks. In particular, some methods of managing risks are based upon observed historical market behaviour and its experience in the securities industry. These methods may fail to predict future risk exposure, which could be significantly greater than those indicated by the historical measures of the Group. Other risk management methods depend upon an evaluation of available information regarding operating and market conditions and other matters, which may not be accurate, complete, up-to-date or properly evaluated. In addition, in rapid-growing markets, the information and experience data that the Group relies on for its risk management methods may become quickly outdated or deficient as markets and regulations continue to evolve. Potential deficiencies in the Group's risk management and internal control systems and procedures may materially and adversely affect the Group's ability to record, process, summarise and report financial and other data in an accurate and timely manner, as well as materially and adversely impact its ability to identify any reporting errors and non-compliance with rules and regulations.

Management of operational, legal and regulatory risks requires, among other things, policies and procedures to record properly and verify a large number of transactions and business activities, as well as the appropriate and consistent application of internal control systems. These policies, procedures and internal controls may not be adequate or effective in mitigating risks of unanticipated or unforeseen nature, and the Group's business, financial condition and results of operations could be materially and adversely affected by the corresponding increase in its risk exposure and actual losses as a result of failures in the Group's risk management policies, procedures and internal controls. The risk mitigation strategies and techniques that the Group adopts may not be fully effective and may leave it exposed to unidentified and unanticipated risks. In addition, if the Group fails to promptly adjust and improve its risk management and internal control systems and procedures in response to the development of its branch outlets and the expansion of its business and products, its business, financial condition and results of operations could be materially and adversely affected.

Certain aspects of such policies, systems and procedures may require continuous monitoring, maintenance and improvement by the Group's senior management and staff. Despite the Group's efforts to implement risk management policies and internal control systems, the Group may not be able to fully prevent or timely identify the occurrence of any non-compliance incident. Due to the size of the Group's operations and its extensive branch network, the Group cannot assure that such implementation will not involve human errors or mistakes, which may have a material and adverse effect on the Group's business, financial condition and results of operations.

Further, the risk management procedures and asset allocation decisions of the Group govern its proprietary trading and investment portfolio. The Group may not have adequate risk management tools, policies and procedures, and may not have sufficient access to resources and trading counterparties to implement effectively its trading and investment risk mitigation strategies and techniques related to its proprietary trading and investment portfolio. If the decision-making process of the Group fails to minimise losses effectively while capturing gains, it may experience significant financial losses that could materially and adversely affect its business, financial condition and results of operations.

The Group may suffer significant losses from its credit exposure.

Some of the businesses of the Group are subject to risks that a customer or counterparty may fail to perform its contractual obligations or that the value of collateral held to secure the obligations may be inadequate. While the Group has internal policies and procedures designed to manage such risks, these policies and procedures may not be fully effective. For details, please see "— *The risk management policies and procedures and internal controls, as well as the risk management tools of the Group available to it, may not fully protect it against various risks inherent in its business and industry.*" The Group's credit exposure primarily results from its margin financing and securities lending business, securities and futures brokerage, micro-loan business and its role as a counterparty in financial and derivative contracts. Any material non-payment or non-performance by a customer or counterparty could adversely affect the Group's financial position, results of operations and cash flows.

In the Group's margin financing and securities lending business, the Group may impose mandatory liquidation on clients who are unable to settle their obligations as scheduled, or whose collateral ratios are lower than the ratios set for liquidation as a result of fluctuations in prices of the listed securities while failing to replenish the collateral in full within the required period. In the Group's futures brokerage business, the Group requires its clients to maintain a certain account balance for their futures trading. The Group conducts automatic valuations for clients' account balances on each trading day, and, in the event of an insufficient account balance, the Group requires clients to replenish their account balance or liquidate the clients' positions. Such mandatory liquidation mechanism may trigger disputes between clients and the Group, which may subject the Group to significant expenses and/or litigation risks. In addition, the group also conducts trades with counterparties to provide short-term financing to them through securities-backed lending, securities repurchase and bond resale transactions under which the Group will be subject to the credit risk and non-performance of the counterparties.

In addition, the Group has exposure to credit risk associated with its financial assets, including available-for-sale investments and held-to-maturity financial assets. These investments may also be subject to price fluctuations due to changes in the financial market's assessment of the issuer's creditworthiness, delinquency and default rates and other factors, which could adversely affect the Group's financial condition and results of operations of the Group. While the Group has internal policies and procedures to limit such occurrences, these policies and procedures may not be fully effective. The Group from time to time evaluates the fair value of its financial assets and adjusts the provision for credit impairment. The provision for credit impairment might be significant to the Group's results of operations, such as loss suffered due to such impairment. In addition, if the Group's credit exposure becomes overly concentrated in a limited set of assets, asset classes, or a limited number of third parties, the volatility of any negative impact of adverse credit exposure could be magnified, and as a result, the Group may experience significant financial losses that could materially and adversely affect its business, financial condition and results of operations.

Negative net cash flows from operating activities may materially and adversely affect the Group's liquidity and financial condition.

The Group had recorded negative net cash flows from operating activities of RMB1,282.7 million for the six months ended 30 June 2021. The Group's capital-based intermediary businesses, primarily its margin financing and securities lending business, and its proprietary trading business are capital intensive and involve substantial operating cash outflows. Negative net cash flows from operating activities may reduce the Group's financial flexibility and make it difficult for potential investors to evaluate the Group's prospects based on its historical results. There can be no assurance that the Group will be able to generate positive net cash flows from operating activities in the future, or that the Group will have sufficient cash from other sources to fund its operations.

If the Group resorts to other financing activities to generate additional cash, the Group will incur additional financing costs. There can be no assurance that it will be able to obtain the financing on terms acceptable to the Group, or at all.

The Group faces the risks of concentration of customers and business in Henan Province.

The Group has conducted its business primarily in Henan Province. In 2018, 2019 and 2020 and the six months in 2021, 90.9 per cent., 91.6 per cent., 90.9 per cent. and 91.5 per cent. respectively, of the operating income from the Group's securities brokerage business originated in Henan Province. In addition, a substantial majority of the customers in each of the Group's principal businesses are residents and institutions residing or based in Henan Province. For example, as of 30 June 2021, approximately 91.6 per cent. of the Group's securities brokerage customers had opened their accounts at the securities branches of the Group in Henan Province.

The Group has strategically expanded its business across major cities in China. However, the Group's ability to further expand its branches and operations outside Henan Province is limited by available capital, regulatory requirements and other factors (see "*The Group's business may be subject to risks associated with expansion outside Henan Province and the onshore market*" below). The Group therefore expects that its future business will continue to concentrate in Henan Province. A significant economic downturn or material adverse changes in the economic environment or any severe natural disasters or catastrophic events in Henan Province could materially and adversely affect the Group's business, financial condition and results of operations.

If the Group cannot successfully maintain and expand its client base and branch network, its brokerage business and its operating income could be materially and adversely affected.

The brokerage business is highly competitive and the Group had to maintain its client base and attract new clients from its competitors. The Group has 85 securities operation branches as of 30 June 2021, 71 of which are located in Henan Province. As part of the Group's business strategy, the Group intends to increase the number of its securities branches across China. The Group has invested resources into expanding its branch network and expect to continue to do so to grow its client base. However, there is no assurance that the Group will be successful in expanding its branch network. If the Group is unable to address the needs of its clients by maintaining high-quality client service, continuing product innovation, providing value-added services, or if the Group otherwise fails to meet its clients' demands or expectations, the group may lose its existing clients to the Group's competitors or fail to attract new clients. There is no assurance that this strategy will be successful. Should the Group fail to cope with any of the foregoing risks, its business, financial condition and results of operations may be materially and adversely affected.

The Group's business may be subject to risks associated with expansion outside Henan Province and the onshore market.

The Group has expanded, and intend to further expand, its operations and business network beyond Henan Province and the onshore market. Such expansion may increasingly subject the Group to risks, such as:

- failure to attract a sufficient number of new clients due to the limited presence and brand recognition of the Group;

- failure to establish a presence in saturated markets where the competitors of the Group have a historical presence and large market shares;

- failure to anticipate competitive conditions in new markets that are different from those in the existing markets of the Group, such as market saturation;

- differences in cultural, commercial and operating environments and corporate governance;

- difficulties in recruiting and retaining qualified personnel;

- economic instability and recessions in the new markets;

- potential adverse tax consequences; and

- difficulties in effectively enforcing contractual or legal rights.

Significant interest rate fluctuations could affect the Group's financial condition and results of operations.

Interest rate fluctuations primarily affect the Group's interest income, fixed-income investments and interest expenses. The Group earns interest income from bank deposits (including its own deposits and customer deposits), margin financing and securities lending business. The Group makes interest payments on deposits it holds on behalf of its customers, its short-term loans, other financing obligations and repurchases transactions, as well as subordinated bonds and other debt securities. Interest income and interest expenses are both directly linked to the then prevailing market interest rates. During periods of declining interest rates, the interest income of the Group would generally decrease. During periods of rising interest rates, the interest expenses and financing costs of the Group would generally increase. In addition, the Group holds fixed income securities. During periods of rising interest rates, market prices and its investment returns on fixed income securities will generally decrease.

Significant interest rate fluctuations could reduce the Group's interest income or returns on fixed income investments, or increase its interest expenses, any of which could adversely affect its financial condition and results of operations.

Substantial indebtedness may restrict the Group's business activities and increase its exposure to various operational risks.

In addition to equity financings, the Group relies on bank loans, proceeds from bond issuances and other borrowings to satisfy a portion of its capital requirements, and consequently, the Group maintains a significant amount of outstanding indebtedness. As of 30 June 2021, the Group's total indebtedness (comprising short-term loans, short-term financing instruments payable, due to banks and other financial institutions, financial assets sold under repurchase agreements, long-term borrowings and bonds payable) was approximately RMB25,903.6 million.

Substantial indebtedness could impact on the Group's business in a number of ways, including:

- requiring the Group to divert its operating cash flow to satisfy its indebtedness;
- increasing the Group's finance costs, thus affecting the overall profits of the Group;
- decreasing the Group's financial flexibility in carrying on its business or responding to unexpected market changes;
- limiting, together with the financial and other restrictive covenants of the Group's indebtedness, among other things, the Group's ability to borrow additional funds; and
- increasing the Group's vulnerability to adverse general economic and industry conditions.

As the Group's business scale continues to grow, its capital requirement and its reliance on external financing are likely to further increase. The Group's financial performance and operating results may be materially and adversely affected if its cash flows and capital resources are insufficient to fund its debt service obligations. Failure to service the Group's debt could result in the imposition of penalties, including increases in rates of interest that the Group pays, legal actions against the Group by its creditors, or even bankruptcy.

The Group's business may suffer from potential reputational damage associated with any adverse publicity.

The reputation of the Group and trading price of the securities of the Company may be negatively affected by adverse publicity or other detrimental conduct, which could adversely affect the Group's business, financial condition and results of operation. Adverse publicity concerning the Group's and failure or perceived failure to comply with legal and regulatory requirements, alleged accounting or financial reporting irregularities, regulatory scrutiny and further regulatory action or litigation could harm the reputation and cause the trading price or the value of the securities of the Company to decline and fluctuate significantly. The Company may also to be the target of other detrimental conduct. Such conduct includes complaints, anonymous or otherwise, to regulatory agencies regarding their operations, accounting, operating income and regulatory compliance. In addition, allegations may be posted on the internet by any person or entity which identifies itself or on an anonymous basis. There can be no assurance that the Group has investment in will not be materially and adversely affected by such adverse publicity or detrimental conduct. If so, the Group's exit plans and investment returns, and its financial condition and results of operations will be materially and adversely affected.

The Group's ability to incur additional indebtedness and carry out operations and investments may be limited by restrictive covenants in the Group's outstanding financing agreements, and failure to comply with those covenants may result in a breach of the terms of the agreement and/or an event of default and adversely affect its liquidity, financial condition and results of operations.

The financing agreements entered into by members of the Group generally contain operational and financial restrictions that prohibit the relevant borrowers from incurring additional indebtedness or creating security or granting guarantees without the relevant lender's prior consent. Some agreements require the borrowers to satisfy certain financial ratios to demonstrate their financial health or impose other limitations on the borrowers' business activities, such as prohibitions from changing their business and shareholding structure. Such restrictions may negatively affect the relevant companies' ability to respond to changes in market conditions, to pursue the business opportunities that they consider desirable, to obtain future financing, fund capital expenditures, or to withstand a continuing or future downturn in the Group's business.

If the relevant borrowers fail to comply with the restrictions and covenants in their current or future debt obligations and other financing agreements, a breach of or default under the terms of such agreements may occur. Such breaches or defaults may also lead to a default under other financing agreements of the Group that contain cross-default or cross-acceleration provisions. Depending on the provisions of the agreements in breach, the creditors may be entitled to cancel their credit facilities granted to the relevant borrowers, accelerate their loans, and/or terminate the agreements. If any of these events occur and the Group fails to obtain the lenders' waiver in a timely manner, the Group may have to divert substantial financial resources to repay the borrowings that are accelerated or seek alternative sources of financing, and the Group's liquidity, financial condition and results of operations may be adversely and materially affected. Also see "*Risks Relating to the Bonds and the Guarantee — Restrictive covenants contained in debt agreements of the Group may limit the Group's ability to incur additional indebtedness and restrict its future operations, and failure to comply with these restrictive covenants may result in defaults under the terms of these agreements, or the Bonds, and may also adversely affect the Group's liquidity, financial condition and results of operations*".

The Group faces additional risks as it expands its product and service offerings.

The Group is committed to providing innovative products and services in order to strengthen its market position in the PRC securities industry. The new products and services may expose the Group to stricter regulatory scrutiny as well as additional licence and approval requirements. The Group's clients or potential clients may not be receptive to the Group's new product and service offerings. The new product and service offerings may have different operational parameters and risk profiles from the Group's more established existing businesses. In addition, the Group may have insufficient resources to handle the additional challenges brought by the new products and services, including, but not limited to:

- the Group may have insufficient experience or expertise in offering new products and services and dealing with new counterparties and clients, or may have legal disputes with clients due to deficiencies in its new products;

- the Group may be subject to greater regulatory scrutiny and increased credit risks, market risks and operational risks;

- the Group may suffer from reputational concerns arising from dealing with less sophisticated counterparties and clients;

- the Group may not be able to provide clients with adequate levels of service for its new products and services;

- the Group may not be able to hire additional competent qualified personnel to design and manage the offering of a broader range of products and services;

- the Group's new products and services may not be accepted by its clients or meet its profitability expectations;

- the Group may not be able to make accurate judgment on market conditions, including potential losses, of its new business, due to insufficient historical data;

- the Group may not be able to obtain sufficient financing from internal and external sources to support its business expansion;

- the Group may not be able to completely identify or adequately evaluate the risks of its new business, or to carry out robust risk management in response to the risks; and

- the Group may not be able to enhance its risk management capabilities and IT systems on a timely basis to identify and mitigate all the risks associated with these new products and services, new clients and new markets.

If the Group is unable to achieve the intended commercial results with respect to its offering of new products and services, or if any of the risks disclosed above occur, its business, financial condition, results of operations and prospects could be materially and adversely affected.

The Group's operation depends on its ability to hire and retain key management and professional staff.

The success of the business of the Group is dependent to a large extent on its ability to attract and retain key personnel who possess in-depth knowledge and understanding of the securities and financial markets. These key personnel include members of its senior management, licensed sponsor representatives, experienced investment managers and industry analysts, IT specialists, sales staff and other personnel. Therefore, the Group devotes considerable resources to recruiting and retaining these personnel. However, the market for quality professionals is highly competitive with increasing competition in recruiting and retaining these individuals. Intense competition may require the Group to offer higher compensation and other benefits in order to attract and retain qualified professionals, which could materially and adversely affect the Group's financial condition and results of operations. The Group may face more challenges in recruiting and retaining qualified professionals compared to its competitors based in more developed cities in China. As a result, the Group may be unable to attract or retain these personnel to achieve its business objectives and the failure to do so could severely disrupt its business and prospects.

Moreover, some of the Group's employees are not subject to non-competition agreements; they may resign at any time to join the Group's competitors and may seek to divert customer relationships that they have developed while working for the Group. If any of the Group's senior management or other key personnel joins or establishes a competing business, the Group may lose some of its customers, which may have a material adverse effect on its business.

In addition, owing to the rapid development of the PRC securities industry, the Group's current professionals' knowledge and skills may be insufficient to meet the Group's needs for product and service innovations, which may also materially and adversely affect the development of the Group's business.

Future acquisitions may not achieve the Group's intended results.

The Group may pursue acquisitions of complementary businesses, establish joint ventures and entry into strategic alliances to achieve its growth. These strategies entail potential risks including potential disruption to the Group's ongoing business and distraction of management, difficulties with integrating IT, financial and human resources systems, hiring additional management and other critical personnel and increased complexity arising from the scope and geographic diversity of the Group's business operations, the Group's inability to identify attractive acquisition opportunities, or make acquisitions on attractive terms or obtain financing necessary to complete and support such acquisitions.

In addition, the Group may not be able to realise any anticipated benefits or achieve the synergies it expects from acquisitions, the Group's clients may react unfavourably to its acquisitions and joint venture strategy, and it may be exposed to loss of key personnel or management or additional liabilities of any acquired business or joint venture. All of foregoing could have a material and adverse effect on its business, financial condition, results of operations and prospects.

The Company published and may continue to publish periodical financial information pursuant to applicable PRC regulations and Hong Kong listing rules. Investors should be cautious and not place any reliance on the financial information other than that disclosed in this Offering Circular.

The Company's equity securities are listed on the HKSE and the SSE. According to applicable securities regulations and the listing rules of the exchanges, the Company publishes its quarterly financial information to satisfy its continuing disclosure obligations relating to its listed securities. The quarterly financial information published by the Company is normally derived from the Group's management accounts which have not been audited or reviewed by independent auditors. As such, the quarterly financial information published should not be referred to or relied upon by potential purchasers to provide the same quality of information associated with any audited information. The Company is not responsible to holders of the Bonds for the quarterly financial information from time to time published and therefore investors should not place any reliance on any such quarterly financial information.

The Group may not be able to prevent or detect fraud or other misconduct committed by its employees, representatives, agents, customers or other third parties.

The Group is exposed to fraud or other misconduct committed by its employees, representatives, agents, customers or other third parties that could subject the Group to financial losses and regulatory sanctions, taint the Group's reputation, or could bind the Group to unauthorised or excessive trading to the detriment of the Group's clients or the Group. Such misconduct could include hiding unauthorised or unsuccessful activities resulting in unknown and unmanaged risks or losses, misusing or disclosing confidential information, recommending transactions that are not proper, engaging in fraudulent or otherwise improper activity including illegal fundraising, improper tunnelling or insider trading, or otherwise not complying with laws or the Group's control procedures. In particular, alleged or actual employee misconduct could result in investigations or prosecutions of the employees engaged in the subject activities or in litigation or regulatory sanctions against the Group, which could cause reputational harm, litigation costs and management distraction for the Group regardless of whether the Group is alleged to have any responsibility.

The Group's internal control procedures are designed to monitor the Group's operations and ensure their overall compliance. However, the Group's internal control procedures may be unable to identify all non-compliance incidents or suspicious transactions in a timely manner, or at all. In addition, the precautions the Group takes to prevent and detect such activities may not be effective. The Group's failure to prevent or detect fraud and other misconduct may have a material and adverse effect on the Group's business, reputation, financial condition and results of operations.

The Group may fail to detect money laundering and other illegal or improper activities in its business operations on a timely basis.

The Group is required to comply with applicable anti-money laundering, anti-terrorism laws and other regulations in the jurisdictions where the Group operates, such as the PRC Anti-money Laundering Law (《中華人民共和國反洗錢法》). These laws and regulations require financial institutions to establish sound internal control policies and procedures with respect to anti-money laundering monitoring and reporting activities. Such policies and procedures require the Group to, among other things, establish or designate an independent anti-money laundering department, establish a customer identification system in accordance with relevant rules, record the details of customer activities and report suspicious transactions to relevant authorities. For instance, the Group is required to perform "Know Your Client" procedures and to monitor transactions for suspicious activity.

Although the Group has adopted policies and procedures aimed at detecting and preventing the use of its business platforms to facilitate money laundering activities and terrorist acts, in light of the complexity of money-laundering activities and other illegal or improper activities, such policies and procedures may not be comprehensive and completely eliminate instances in which the Group may be used by other parties to engage in money laundering, sanctioned activities and other illegal or improper activities. In the event that the Group fails to comply fully with applicable laws and regulations, the relevant government agencies may freeze its assets or impose fines or other penalties on it. There can be no assurance that the Group will be able to detect money laundering or other illegal or improper activities timely or at all, which may adversely affect its business reputation, financial condition and results of operations.

The Group faces risks related to *force majeure* events, natural disasters or outbreaks of contagious diseases, including the recent COVID-19 pandemic.

The Group's business is subject to general economic and social conditions in the PRC. Natural disasters, epidemics and other *force majeure* events which are beyond the Group's control may adversely affect the economy and livelihood of the people in the PRC. The occurrences of epidemics, such as the recent outbreak of COVID-19 pandemic or the past occurrence of Middle East Respiratory Syndrome (MERS), Severe Acute Respiratory Syndrome (SARS), H5N1 avian flu, human swine flu (also known as Influenza A or H1N1) or H7N9 avian flu have, depending on their scale, caused and may continue to cause different degrees of damage to the national and local economies of China.

On 11 March 2020, the World Health Organisation declared COVID-19 as a global pandemic. The COVID-19 pandemic has resulted in a number of countries declaring a state of emergency and a number of countries, including China, Japan, the United States, members of the European Union and the United Kingdom, imposing extensive business and travel restrictions with a view to containing the pandemic. Widespread reductions in consumption, industrial production and business activities arising from the COVID-19 pandemic and the efforts to contain it have negatively impacted the global economy and global markets, causing a global recession in 2020. For example, PRC government has taken various COVID-19 prevention and travel control measures, such as the reduction of workers returning to the city and the delay of business commencement and resumption, have led to a sharp short-term decline in domestic production in 2020. In addition, COVID-19 has led to significant volatility in global markets across all asset classes, including stocks, bonds, oil and other commodities and this volatility may persist for some time. Uncertainty and volatility caused by COVID-19 may further create negative economic impact in China and the global market which can have a material adverse effect on the Group's business operations and financial condition.

Moreover, the PRC has experienced natural disasters such as earthquakes, floods and droughts in the past few years. Any future occurrence of severe natural disasters in the PRC may materially and adversely affect its economy and, therefore, the Group's business. For instance, two serious earthquakes in Sichuan Province in May 2008 and April 2013 resulted in significant loss of lives and harm to the economic condition and development in Sichuan Province. There can be no assurance that any future occurrence of natural disasters or outbreaks of epidemics and contagious diseases, or the measures taken by the PRC government or other countries in response to such contagious diseases, will not seriously disrupt the Group's operations or those of its customers, which may materially and adversely affect the Group's business, financial condition and results of operations.

The Group relies heavily on IT systems to process and record its transactions, offer online products and services and form business decisions.

The Group's operations rely heavily on its IT systems to process accurately a large number of transactions across numerous and diverse markets, various business segments and its broad range of products in a timely manner, and it is also affected by the operations of the IT systems of telecommunication carriers, exchanges, clearing agents, depositaries and other financial intermediaries. The proper functioning of the Group's securities trading, financial control, risk management, accounting, client service and other data processing systems, together with the communication networks between the Group's headquarters, subsidiaries and branches and its communication networks with exchanges, clearing agents and depositaries, are critical to the Group's business and its ability to compete effectively. However, there is no assurance that the Group's operations will not be materially disrupted if any of its systems fails. A prolonged disruption to, or failure of, its information processing or communications systems may limit its ability to process transactions. This would also impair the Group's ability to service its customers and execute trades on behalf of customers and for its own account, which could materially and adversely affect its competitiveness, financial condition and results of operations.

Based on information collected and analysed by the Group's IT systems, the Group makes many important business decisions, including those relating to brokerage fee rates, branch locations, investment portfolios, marketing of investment or financing products and new product designs. Any error or flaw in the Group's IT systems may cause its business decisions being made with inaccurate, incomplete or misleading information.

In addition, the PRC securities industry is characterised by rapidly changing technology. Online securities trading platforms and other new channels, such as mobile devices, are becoming increasingly popular among its customers due to their convenience and user-friendliness. If the Group's information systems are unable to upgrade in response to the Group's business development and expansion, its capabilities of business management, client service, risk management and internal control may be adversely affected. If the processing capacity of the Group's trading system is not able to deal with trading demands when the securities market experiences volatility, the Group may be subject to client complaints, litigations or adverse effects on its reputation. If the Group upgrades its information systems or launch new information systems for its new businesses or new products, it may encounter a slowdown, breakdown or collapse of the systems due to their defects. Failure to upgrade the original systems or the operational errors of technicians may also result in client dissatisfaction.

The Group relies heavily on technology, particularly the internet, to provide high quality online services. However, the technology operations of the Group's IT systems are vulnerable to disruptions from human error, natural disasters, power failure, computer viruses, spam attacks, unauthorised access and other similar events. Disruptions to, or instability of, technology of the Group or external technology that allows its customers to use its online products and services could harm its business and its reputation.

In addition, the Group utilises IT products and services from a variety of third-party developers, contractors and vendors. If the Group fails to effectively manage its external IT developers, contractors and vendors and their products and services, it may experience system failures, incompatible software or platforms, as well as synchronisation, data transfer and data management issues across its various IT systems and platforms.

The Group's business is susceptible to the operational failure of third parties.

The Group faces the risk of operational failure or termination of any of the exchanges, depositaries, clearing agents or other financial intermediaries it uses to facilitate its securities transactions. Any future operational failure or termination of the particular financial intermediaries that the Group uses may adversely affect its ability to execute transactions, service its customers and manage its exposure to various risks. Any disputes or difficulties in cooperating with these financial intermediaries could materially and adversely affect the Group's business operations.

In addition, as the Group's interconnectivity with its customers grows, its business also relies heavily on its customers' use of their own systems, such as personal computers, mobile devices and the Internet, and the Group will increasingly face the risk of operational failure in connection with its customers' systems.

The Group may be subject to litigation and regulatory investigations and proceedings.

The Group faces substantial litigation and regulatory risks, including the risk of lawsuits and other legal actions relating to information disclosure, sales or underwriting practices, trademarks, product design, fraud and misconduct, potential liabilities for the advice provided to clients in corporate transactions and possible disputes over the terms and conditions of complex trading arrangements, as well as protection of personal and confidential information of the Group's customers. The Group may be subject to arbitration claims and lawsuits in the ordinary course of its business and may also be subject to claims for alleged negligent conduct, breach of fiduciary duty or breach of contract. The Group may also be subject to inquiries, investigations, and proceedings by regulatory and other governmental agencies. These risks often may be difficult to assess or quantify and their existence and magnitude often remain unknown for substantial periods of time.

Actions brought against the Group may result in settlements, injunctions, fines, penalties or other results adverse to it that could harm its reputation. Even if the Group succeeds in defending itself against these actions, the costs of such defence and the diversion of management attention may be significant. In market downturns, the number of legal claims and amount of damages sought in litigation and regulatory proceedings may increase.

From time to time, the Group was subject to a number of legal proceedings arising from the ordinary course of its business, including, for example, disputes relating to financial product transactions and stock pledged repurchases. A significant judgement, arbitration award or regulatory action against the Group, a failure by the Group to prevail in the legal proceedings where the Group is the plaintiff, a failure by the Group to enforce judgment debts, or a disruption in its business arising from adverse adjudications in proceedings against its directors, officers or employees, may have a material adverse effect on the Group's liquidity, business, financial condition, results of operations and prospects.

The Group's insurance coverage may not be adequate, which could expose it to costs and business disruption.

The Group maintains certain insurance to cover major risks in its business operations. See "*Description of the Group — Insurance*" for details. However, insurance companies in the PRC generally do not offer as extensive an array of insurance products as insurance companies do in countries with more developed economics. Consequently, the Group does not maintain sufficient business interruption insurance or key man life insurance, which are not mandatory under PRC laws. The Group's insurance coverage may not be adequate, which could expose it to costs and business disruption. As a result, the Group's business, financial condition and results of operations may be materially and adversely affected.

The use of the Group's Chinese name in this Offering Circular and the use of it in the course of trade or business in Hong Kong may be challenged due to potential trademark infringement and passing off.

The Group was established in Henan Province in 2002 and has since been carrying on business under the name of "中原证券股份有限公司" in the PRC. With the intention of applying for the registration of certain trademarks comprising "中原证券" and its variations in Hong Kong, covering the services of financial services, monetary affairs, securities brokerage, wealth management, asset management, fund management, investment advisory and capital investment, the Group sought the opinion of the Hong Kong Trade Marks Registry (the "**Trade Marks Registry**") on the registrability of such marks. The Trade Marks Registry was of the view that the applications for such trademarks would likely to be refused due to prior registrations of similar marks in respect of identical and/or similar services. A search conducted on the on-line database of the Trade Marks Registry revealed that such similar marks were held by companies in the Centaline (中原) group of companies, which comprise, inter alia, Centaline Property Agency Limited (中原地產代理有限公司) and Centaline Securities Limited (中原证券有限公司) (the "**Centaline Group**"). The Centaline Group was established in Hong Kong engaging in the businesses of, among others, trading of securities and derivatives and ETFs.

While the Group has taken certain steps to minimise the potential risks arising from a claim brought by the Centaline Group, such as:

- not making use of the Chinese name "中原证券股份有限公司" in the course of any trade or business carried on by the Group in Hong Kong, but instead planning to trade and carry on business in Hong Kong under the Chinese name "中州证券";

- applying for the registration of the trademark "中州证券 Central China Securities" and the registration of "中州证券" as the Group's business name in Hong Kong; and

- putting a prominent notice on the Group's existing website to state that the services and facilities offered thereon are only intended for members of the public in the PRC and taking steps to ensure that members of the public in Hong Kong will not be allowed to be registered as users of, or to use any of the online services and facilities made available on, the Group's existing website.

There is no guarantee that in spite of the steps and measures as described above, Centaline will not make any claim against the Group. Intellectual property rights litigation can be costly and time-consuming, and could divert the Group's management's attention from business operations. In addition, should the Group be held liable for trademark infringement, its reputation as well as its business, financial condition and results of operations may be materially and adversely affected.

Furthermore, in line with the advice given by the Group's counsel, the Group had also provided guidelines to its employees that: (i) they should introduce the Group to its potential clients in the Chinese name of "中州证券" in Hong Kong; and (ii) they should use the Chinese name of "中州证券" for all external communication in Hong Kong.

A failure to identify and address conflicts of interest appropriately could adversely affect the Group's business.

As the Group expands the scope of its business and its client base, it is critical for it to be able to address potential conflicts of interest, including situations where two or more interests within its business legitimately exist but are in competition or conflict. The Group may encounter conflicts of interest arising among (i) its various operating units, (ii) its clients and itself, (iii) its various clients, (iv) its employees and itself or (v) its clients and employees.

The Group has extensive internal control and risk management procedures that are designed to identify and address conflicts of interest. However, appropriately identifying and dealing with potential conflicts of interest is complex and difficult. The Group's failure to manage conflicts of interest could harm its reputation and erode client confidence in it. In addition, potential or perceived conflicts of interest may also give rise to litigation or regulatory actions. Any of the foregoing could adversely affect the business, financial condition and results of operations of the Group.

The Group's inability to protect personal and other confidential information of its customers may subject it to liability and regulatory action.

The Group routinely transmits and receives personal data and confidential information of its clients through the Internet, by email and other electronic means and may not be able to ensure that its vendors, service providers, counterparties and other third parties have appropriate controls in place to protect the confidentiality of the information. The Group is under obligations to protect the personal data and confidential information of its customers by regulatory and policy requirements. The Group may subject to sanctions or penalties for its failure in providing adequate protection of its customers' personal information. It may also have to provide compensation for economic loss arising from its failure to protect the personal information of its customers in accordance with relevant laws and regulations. Incidents of mishandling the personal information or failure to protect the confidential information of its customers may also lead to negative public or client perceptions of the Group's operations or its brand, and may further subject the Group to lawsuits and claims, which may materially and adversely affect its reputation and prospects.

The controlling shareholder of the Company is able to exercise significant influence over the Company and its interests may not be aligned with the interests of the Company's other shareholders.

Henan Investment Group, which is controlled by the Henan Provincial Government and supervised by the Henan Provincial Department of Finance, has been the controlling shareholder of the Company and held approximately 17.73 per cent. of the Company's outstanding shares as of 30 June 2021. As Henan Investment Group will remain as the controlling shareholder of the Company, it may have the ability to exercise significant influence over the Company's business, including matters relating to its management and policies and decisions regarding mergers, expansion plans, business consolidation, the sale of all, or substantially all, of the Company's assets, election of directors, dividends or other distributions and other significant corporate actions. In addition, the interests of Henan Investment Group may differ from the interests of the Company's other Shareholders. Henan Investment Group will continue to have the ability to exercise substantial influence over the Company and to cause the Company to enter into transactions or take, or not to take, actions or make decisions which may conflict with the best interests of the Company's other shareholders.

RISKS RELATING TO THE PRC

The future performance of PRC economy is uncertain.

The economy of the PRC experienced rapid growth in the past 40 years. There has been a slowdown in the growth of the PRC's GDP since the second half of 2013, which has raised market concerns that the historic rapid growth of the economy of the PRC may not be sustainable. According to the National Statistics Bureau of the PRC, the annual growth rate of China's GDP in 2019 slowed down to 6.1 per cent. on a year-on-year basis compared to 6.6 per cent. in 2018, and it further decreased to 2.3 per cent. in 2020 on a year-on-year basis. In March 2016, Moody's and S&P changed China's credit rating outlook to "negative" from "stable", which highlighted the country's surging debt burden and questioned the government's ability to enact reforms. On 24 May 2017, Moody's downgraded China's long-term local currency and foreign currency issuer ratings to A1 from Aa3 and changed the outlook to stable from negative. On 21 September 2017, S&P's rating services downgraded China's credit rating by one notch from AA-to A+. All of the foregoing highlight the country's surging debt burden and questioned the government's ability to enact reforms.

In addition to the economic and monetary policies of the PRC Government, the future performance of PRC economy is also exposed to material changes in global economic and political environments as well as the performance of certain major developed economies in the world, such as the United States, the United Kingdom and the European Union. On 23 June 2016, the United Kingdom voted in a national referendum to leave the European Union, notified the European Council of its intention to leave the European Union in accordance with Article 50(2) of the Treaty on European Union on 29 March 2017, and officially left the European Union on 31 January 2020 ("**Brexit**"). The United Kingdom then entered into the transition period which was agreed between the British government and the European Union. On 24 December 2020, the United Kingdom and the European Union reached the EU-UK Trade and Cooperation Agreement, setting out the new rules that will apply from 1 January 2021. The transition period ended on 31 December 2020 and the United Kingdom left the European Union single market and customs union. Brexit has resulted in volatility in the global financial market and are expected to create mid-to long-term economic uncertainty to the economy in the United Kingdom, the European Union and globally. In addition, the aggravation of China-U.S. trade friction, trade protectionism and the slowdown in global economic growth have also caused volatility in the global financial market. Since second half of 2018, there has been trade tensions between China and the United States with both countries imposing tariffs on certain products imported from each other. Negotiations have been carrying out between the two countries on future trade relations and they entered into the phase one U.S.-China trade agreement on 15 January 2020. The resulting trade policies or the terms of any renegotiated trade agreements and their impact is uncertain. The adoption and expansion of trade restrictions, the occurrence of a trade war, or other governmental action related to tariffs or trade agreements or policies has the potential to adversely impact the economy of the PRC, which in turn could adversely impact the Group's business, financial condition and results of operations.

In March 2020, U.S. stocks plunged and triggered trading halt for several times due to global economic uncertainty caused by the global outbreak of COVID-19 and/or oil shocks. Although the U.S. stock market has since recovered, volatility in global stock markets may adversely affect the global economy. Economic conditions in the PRC are also sensitive to global economic conditions. It is unclear to what extent the outbreak of COVID-19 and the resulting global economic downturn will impact the future development and rate of growth of the PRC economy. Uncertainties in the global and PRC economy may materially and adversely affect the financial markets that the Group operates in, which may lead to a decline in the general demand for the Group's financial products and services. In addition, a reduction in liquidity in the global and PRC financial markets may negatively affect the Group's access to financing resources. Therefore, instability in the global economy and China's economic growth may materially and adversely affect the Group's business, financial condition and results of operations.

The Group is exposed to uncertainty in the PRC legal system.

The Group's core business is conducted in the PRC and most of its operations are located in the PRC, and therefore its business operations are regulated primarily by PRC laws and regulations. The PRC legal system is a civil law system based on written statutes and their interpretations by relevant legislative and judicial authorities. Unlike the common law system, past court judgments in the PRC have limited precedential value and may be cited only for reference. Further, PRC written statutes often require detailed interpretations by courts and enforcement bodies for their application and enforcement. In particular, since 1979, the PRC government has promulgated laws, rules and regulations dealing with economic matters, such as foreign investment, corporate organisation and governance, commerce, taxation and trade. However, the PRC has not developed a fully-integrated legal system, and recently-enacted laws and regulations may not sufficiently cover all aspects of economic activity in the PRC. In recent years, the PRC government has promulgated a number of laws that directly regulate the Group's principal businesses. For example, the new Securities Law of the PRC was promulgated in late 2019 and became effective on 1 March 2020. Since these laws and regulations are still evolving and some are relatively new, in view of ongoing development in the PRC's financial industry, and the limited number and non-binding nature of published cases, there exist uncertainties about their interpretation and enforcement, and such uncertainties may have a negative impact on the Group's business.

In addition, the PRC legal system is based, in part, on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, the Group may not be aware of the Group's violation of these policies and rules until sometime after the violation. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management's attention.

Further, the administration of PRC laws and regulations may be subject to a certain degree of discretion by the executive authorities. This has resulted in the outcome of dispute resolutions not being as consistent or predictable compared to other more developed jurisdictions. In addition, it may be difficult to obtain a swift and equitable enforcement of laws in the PRC, or the enforcement of judgments by a court of another jurisdiction. These uncertainties relating to the interpretation and implementation of PRC laws and regulations may adversely affect the legal protections and remedies that are available to the Group in its operations and to Bondholders.

As a result of these uncertainties with respect to the PRC legal system, lack of uniform interpretation and effective enforcement, the Group may be subject to uncertainties in its operations. These uncertainties can also affect the legal remedies and protections available to investors, and can adversely affect the value of their investment.

Investors may experience difficulties in effecting service of legal process and enforcing judgments against the Group, and the directors and the management of the Guarantor.

Most of the Group's assets and the subsidiaries are located in the PRC. In addition, most of the directors, supervisors and executive officers of the Guarantor reside within the PRC and the assets of such directors and officers may be located within the PRC. As a result, it may be difficult to effect service of process outside the PRC upon most of the directors, supervisors and executive officers of the Group, including with respect to matters arising under applicable securities law. Moreover, it is understood that the enforcement of foreign judgments in the PRC is still subject to uncertainties. A final judgement of a court from a foreign jurisdiction may be reciprocally recognised, or enforced, if the jurisdiction has a corresponding or similar treaty for reciprocal enforcement of court judgements with China or if the judgements of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of other requisite requirements. However, the PRC does not have treaties providing for the reciprocal enforcement of judgements of courts with many countries, including the United States, the United Kingdom, Japan or many other countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgements with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgements of a court in the United States, the United Kingdom and any of the other jurisdictions mentioned above in relation to any matter that is not subject to a binding arbitration provision may be difficult or impossible, resulting in uncertainties in relation to the enforcement of foreign judgments against the Group or the Guarantor's directors, supervisors and senior management.

Government control of currency conversion may adversely affect the value of investments.

Most of the Group's revenue is denominated in Renminbi, which is also its reporting currency in the PRC. Renminbi is not a freely convertible currency. A portion of the Group's cash may be required to be converted into other currencies, particularly U.S. dollars, in order to meet its foreign currency needs, including cash payments on declared dividends, if any, on its Bonds. Currently, the Renminbi still cannot be freely exchanged into any foreign currencies, and exchange and remittance of foreign currencies are subject to PRC foreign exchange regulations. There can be no assurance that, under a certain exchange rate, the Group will have sufficient foreign currencies to meet the Group's demand for foreign currencies. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by the Group do not require prior approval from SAFE, but the Group is required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the licences to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by the Group, however, must be approved in advance by the SAFE. If the Group fails to obtain approval from the SAFE to exchange Renminbi into any foreign currencies for any purposes, or the PRC impose further relevant restrictions, the Group's capital expenditure plans, and even the Group's businesses, operating results and financial condition, may be materially and adversely affected.

Future fluctuations in the value of the Renminbi could materially and adversely affect the Group's business, financial condition and results of operations.

A portion of its bank borrowings is denominated in U.S. dollars, although a substantial majority of the Group's revenue is denominated in Renminbi. As a result, fluctuations in exchange rates, particularly between the Renminbi and the U.S. dollar, may affect the Group's profitability and result in foreign currency exchange losses of the Group's foreign currency-denominated liabilities.

The exchange rate of the Renminbi against the U.S. dollar and other currencies fluctuates and is affected by, among other things, changes in the PRC's and international political and economic conditions and the PRC government's fiscal and currency policies. Since 1994, the conversion of the Renminbi into foreign currencies, including the Hong Kong dollar and U.S. dollar, has been based on rates set daily by the PBOC based on the previous business day's inter-bank foreign exchange market rates and exchange rates in global financial markets. From 1994 to 20 July 2005, the official exchange rate for the conversion of the Renminbi to U.S. dollars was generally stable. On 21 July 2005, the PRC government adopted a more flexible managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band that is based on market supply and demand with reference to a basket of currencies. From 21 July 2005 to 30 September 2011, the value of the Renminbi appreciated by approximately 30.2 per cent. against the U.S. dollar. On 19 June 2010, the PBOC announced that the PRC government would reform the Renminbi exchange rate regime and increase the flexibility of the exchange rate by allowing greater flexibility in the Renminbi exchange rate and on 16 April 2012 the band was expanded to 1.0 per cent. On 17 March 2014, the PBOC announced that effective on the same day, the floating band for the trading prices in the inter-bank spot exchange market of Renminbi against the U.S. dollar would be further increased from 1.0 per cent. to 2.0 per cent. around the central parity rate, which allows the Renminbi to fluctuate against the U.S. dollar by up to 1.0 per cent. above or below the central parity rate published by the PBOC. There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which could result in further and more significant appreciation of the Renminbi against the U.S. dollar. There can be no assurance that the Renminbi will not experience significant appreciation against the U.S. dollar in the future.

Currently, the Group has not entered into any hedging transactions to mitigate the exposure to foreign exchange risk except for a limited amount of hedging transactions through the Guarantor. As a result, any significant decrease in the value of the Renminbi against foreign currencies could increase the value of the Group's foreign currency-denominated expenses and liabilities.

The payment of dividends by the Guarantor's operating subsidiaries in the PRC is subject to restrictions under the PRC law.

The PRC laws require that dividends be paid only out of net profit, calculated according to the PRC accounting principles, which differ from generally accepted accounting principles in other jurisdictions. In addition, the PRC law requires enterprises set aside part of their net profit as statutory reserves before distributing the net profit for the current financial year. These statutory reserves are not available for distribution as cash dividends. Since the availability of funds to fund the Guarantor's operations and to service its indebtedness depends upon dividends received from these subsidiaries, any legal restrictions on the availability and usage of dividend payments from the Guarantor's subsidiaries may impact the Guarantor's ability to fund its operations and to service its indebtedness, including the Bonds.

The implementation of PRC employment regulations may increase labour costs of companies operating in the PRC generally.

The PRC Labour Contract Law (中華人民共和國勞動合同法) became effective on 1 January 2008 in the PRC and was amended on 28 December 2012. It imposes more stringent requirements on employers in relation to entry into fixed-term employment contracts and dismissal of employees. Pursuant to the PRC Labour Contract Law, the employer is required to make compensation payment to a fixed-term contract employee when the term of their employment contract expires, unless the employee does not agree to renew the contract even though the conditions offered by the employer for renewal are the same as or better than those stipulated in the current employment contract. In general, the amount of compensation payment is equal to the monthly wage of the employee multiplied by the number of full years that the employee has worked for the employer. A minimum wage requirement has also been incorporated into the PRC Labour Contract Law. In addition, unless otherwise prohibited by the PRC Labour Contract Law or objected to by the employees themselves, the employer is also required to enter into non-fixed-term employment contracts with employees who have previously entered into fixed-term employment contracts for two consecutive terms.

In addition, under the Regulations on Paid Annual Leave for Employees (職工帶薪年休假條例), which became effective on 1 January 2008, employees who have worked continuously for more than one year are entitled to paid annual leave ranging from 5 to 15 days, depending on the length of the employees' work time. Employees who consent to waive such vacation at the request of employers shall be compensated an amount equal to three times their normal daily salaries for each vacation day being waived. Under the National Leisure and Tourism Outline 2013-2020 (國民旅遊休閒綱要2013-2020) which became effective on 2 February 2013, all workers must receive paid annual leave by 2020. As a result of the PRC Labour Contract Law, the Regulations on Paid Annual Leave for Employees and the National Leisure and Tourism Outline 2013-2020, the Group's labour costs (inclusive of those incurred by contractors) may increase. Further, under the PRC Labour Contract Law, when an employer terminates its PRC employees' employment, the employer may be required to compensate them for such amount which is determined based on their length of service with the employer, and the employer may not be able to efficiently terminate non-fixed-term employment contracts under the PRC Labour Contract Law without cause. In the event the Group decides to significantly change or decrease its workforce, the PRC Labour Contract Law could adversely affect its ability to effect these changes in a cost-effective manner or in the manner that the Group desires, which could result in an adverse impact on the Group's business, financial condition and results of operations.

Further, in the event that there is a labour shortage or a significant increase to labour costs, the Group's business operation costs is likely to increase. In such circumstances, the profit margin may decrease and the financial results may be adversely affected. In addition, inflation in the PRC has increased in recent years. Inflation in the PRC increases the costs of raw materials required by the Group for conducting its business and the costs of labour as well. Rising labour costs may increase the Group's operating costs and partially erode the cost advantage of the Group's operations and therefore negatively impact the Group's profitability.

There can be no assurance of the accuracy or comparability of facts and statistics contained in this Offering Circular with respect to the PRC, its economy or the relevant industry.

Facts, forecasts and other statistics in this Offering Circular relating to the PRC, its economy or the securities industry in which the Group operates have been directly or indirectly derived from official government publications and certain other public industry sources. Despite that the Group believes such facts and statistics are reliable, there can be no assurance about the quality or the reliability of such source materials, which have not been prepared or independently verified by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee, the Agents or any person who controls any of them or any of their respective affiliates, employees, directors, officers, employees, agents, advisers or representatives, and, therefore, none of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee, the Agents or any person who controls any of them or any of their respective affiliates, directors, officers, employees, agents, advisers or representatives makes any representation as to the completeness, accuracy or fairness of such facts or other statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be incomplete, inaccurate or unfair or may not be comparable to statistics produced for other economies or the same or similar industries in other countries and should not be unduly relied upon. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts or other statistics.

RISKS RELATING TO THE BONDS AND THE GUARANTEE

The Bonds and the Guarantee are unsecured obligations.

The Bonds and the Guarantee are unsecured obligations of the Issuer and the Guarantor. The repayment of the Bonds and payment under the Guarantee may be adversely affected if:

- the Issuer or the Guarantor enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;
- there is a default in payment under the Issuer's or the Guarantor's future secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of the Issuer's or the Guarantor's indebtedness.

If any of these events were to occur, the Issuer's or the Guarantor's assets may not be sufficient to pay amounts due on the Bonds.

Restrictive covenants contained in debt agreements of the Group may limit the Group's ability to incur additional indebtedness and restrict its future operations, and failure to comply with these restrictive covenants may result in defaults under the terms of these agreements, or the Bonds, and may also adversely affect the Group's liquidity, financial condition and results of operations.

Certain debt agreements entered into by members of the Group may contain operational and financial restrictions that prohibit such member of the Group from incurring additional indebtedness, restrict such member of the Group from creating security or granting guarantees or prohibit such member of the Group from changing its business and corporate structure, or making significant adjustments to its construction plans or estimated budgets, in each case without the lender's prior consent. If any member of the Group is unable to comply with its current or future obligations under the agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the lenders could terminate their commitments to lend, accelerate repayment of the debts, declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of the debt agreements entered into by members of the Group, including the Bonds, contain (or may in the future contain) cross-acceleration or cross-default provisions. The default by the relevant member of the Group under one debt agreement may cause the acceleration of repayment of debt or result in a default under its other debt agreements, including the Bonds. As a result, these restrictions in the debt agreements may potentially negatively affect the ability of the relevant member of the Group to respond to changes in market conditions, pursue the business opportunities the Group believes to be desirable, obtain future financing, fund capital expenditures, or withstand a continuing or future downturn in its business. There can also be no assurance that in the event of occurrence of any acceleration of repayment or default, the relevant member of the Group will have sufficient assets and cash flows to repay in full all of their indebtedness, or that such member would be able to find alternative financing. Even if alternative financing could be obtained, there can be no assurance that it would be on terms that are favourable or acceptable to the Group. Any of these factors could materially and adversely affect the Group's ability to satisfy its obligations under outstanding financial obligations, including the Bonds.

The Trustee may request the holders of the Bonds to provide an indemnity and/or security and/or pre-funding to its satisfaction.

In certain circumstances (including without limitation giving of notice to the Issuer and the Guarantor pursuant to Condition 8 *(Events of Default)* of the Conditions and taking action pursuant to Condition 13 *(Enforcement)* of the Conditions), the Trustee may (at its sole discretion) request the holders of the Bonds to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes actions on behalf of the holders of the Bonds. The Trustee shall not be obligated to take any such actions if not first indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may affect when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity and/or security and/or prefunding to it, in breach of the terms of the Trust Deed governing the Bonds and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law and regulations, it will be for the holders of the Bonds to take such actions directly.

The Bonds may be redeemed by the Issuer prior to maturity.

The Issuer may redeem the Bonds at its option, in whole but not in part, at a redemption price equal to 100 per cent. of their principal amount, together with interest accrued up to, but excluding the date fixed for redemption, if, subject to certain conditions, as a result of a change in tax law, the Issuer or the Guarantor (if a demand was made under the Guarantee) has or will become obliged to pay Additional Amounts, as further described in Condition 5(b) *(Redemption for Tax Reasons)* of the Conditions.

If the Issuer redeems the Bonds prior to their maturity date, investors may not receive the same economic benefits they would have received had they held the Bonds to maturity, and they may not be able to reinvest the proceeds they receive in a redemption in similar securities. In addition, the Issuer's ability to redeem the Bonds may reduce the market price of the Bonds.

The Issuer may not be able to redeem the Bonds upon the due date for redemption thereof.

The Issuer, at maturity or on any Put Settlement Date, is required to redeem all of the Bonds, as the case may be. Either at maturity or on any Put Settlement Date, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. The Issuer's failure to redeem the Bonds could constitute an Event of Default, which may also constitute a default under the terms of the Issuer's and/or the Guarantor's other indebtedness.

The liquidity and price of the Bonds following this offering may be volatile.

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in the revenues, earnings and cash flows of the Group and proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies, any adverse change in the credit rating and results of operations could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the volume and price at which the Bonds will trade. There can be no assurance that these developments will not occur in the future.

Price of the Bonds may be affected by additional debt incurred by the Guarantor following this offering.

In order to maintain or adjust the capital structure, the Guarantor will consider the macro economic conditions, prevailing borrowing rate in the market and adequacy of cash flows generated from operations and may further access the international capital markets and raise funding through debt issuance. The Guarantor may consider providing guarantee to such additional debt, which may affect the price of the Bonds.

The Issuer may issue additional Bonds or other securities in the future.

The Issuer may, from time to time, and without the consent of the Bondholders create and issue further bonds *(see "Terms and Conditions of the Bonds — Further Issues*"). There can be no assurance that such future issuances will not adversely affect the market price of the Bonds.

The Guarantee given by the Guarantor needs to be registered with the SAFE before it can be considered enforceable under PRC law, and there may be logistical hurdles for cross-border payment under the Guarantee if such registration is not completed within the prescribed timeframe.

The Guarantor, as a PRC-incorporated company giving guarantee to its foreign incorporated subsidiary, is required to complete registration within the required period after its execution of the Deed of Guarantee and in accordance with the Provisions on the Foreign Exchange Administration of Cross-border Guarantees (跨境擔保外匯管理規定) promulgated by the SAFE on 12 May 2014 which came into effect on 1 June 2014 (the "**Foreign Exchange Cross-border Guarantee Rules**"), the Operational Guidelines on Foreign Exchange Administration of Cross-border Guarantees (跨境擔保外匯管理操作指引) promulgated by the SAFE on 12 May 2014 which came into effect on 1 June 2014 (the "**SAFE Guidelines**"), and other relevant regulations.

There is no assurance that the Guarantor will be able to complete the registration of the Guarantee with the SAFE within the prescribed timeframe or at all. Under the Conditions, Bondholders may require the Issuer to redeem their Bonds in the event that the Guarantee is not registered within a specified timeframe. Bondholders who do not exercise such redemption option should note that before requisite registrations of the Guarantee given by the Guarantor are completed, it is uncertain whether the Guarantee given by the Guarantor can be enforced in practice. Although the failure to register does not render the Guarantee ineffective or invalid under PRC law, the SAFE may impose penalties on the Guarantor if the Guarantor fails to complete the SAFE registration. Further, there may be hurdles at the time of remittance of funds (if any cross-border payment is to be made by the Guarantor under the Guarantee) as domestic banks may require evidence of the SAFE registration in connection with the Guarantee in order to effect such remittance. Prior to the performance or discharge of its obligations under the Guarantee, the Guarantor is also required to complete a verification process with banks for each remittance under the Guarantee.

The interpretation of the Foreign Exchange Cross-border Guarantee Rules and the SAFE Guidelines may involve significant uncertainty, and may adversely affect the practical enforceability of the Guarantee given by the Guarantor in the PRC. In addition, the administration of the Foreign Exchange Cross-border Guarantee Rules and SAFE Guidelines may be subject to a certain degree of executive and policy discretion by the SAFE.

The NDRC Circular and its interpretation may involve significant uncertainty, which may adversely affect the Bonds and/or investors in the Bonds.

On 14 September 2015, the NDRC promulgated the NDRC Circular. According to the NDRC Circular, if a PRC enterprise or an offshore enterprise controlled by a PRC enterprise wishes to issue bonds outside of the PRC with a maturity of more than one year, the enterprise must, prior to issuing such bonds, file certain prescribed documents with the NDRC and procure a registration certificate from the NDRC in respect of such issue (the "**Pre-issuance Registration**"). Such enterprise must also notify certain details of the bonds to the NDRC within 10 business days of the completion of the bond issuance (the "**Post-issuance Notification**"). As of the date of this Offering Circular, the Guarantor has received a registration certificate from the NDRC in respect of the issuance of the Bonds on 20 December 2021, and the Guarantor intends to comply with the post-issuance notification requirements of the NDRC Circular.

As the NDRC Circular is a relatively new regulation, there remains uncertainty as to how the NDRC will interpret, implement and enforce the NDRC Circular. The Post-issuance Notification is generally regarded as a procedural process which involves the reporting of certain post-issuance information in respect of the Bonds by the Guarantor to the NDRC, rather than a substantive approval or consent process. There is a risk that such Post-issuance Notification cannot be completed in time or at all. The NDRC Circular does not set forth the legal consequences of non-compliance with the Pre-issuance Registration and Post-issuance Notification. Additional guidance has been issued by the NDRC (the "**NDRC Circular Guidelines**") in December 2015, which states that companies, investment banks, law firms and other intermediaries involved in debt securities issuance which do not comply with the registration requirement under the NDRC Circular will be subject to blacklist and sanctions. The NDRC Circular does not set forth as to how such blacklist will be implemented or the exact sanctions that will be enacted by the NDRC. There is no assurance that the Guarantor will not be subject to any penalties if it fails to (including for reasons outside of the Guarantor's control) complete the Post-issuance Notification within the required timeframe. In the worst-case scenario, such non-compliance with the Post-issuance Notification requirement under the NDRC Circular may result in it being unlawful for the Group to perform or comply with any of its obligations under the Bonds and the Bonds might be subject to enforcement as provided in Condition 8 *(Events of Default)* of the Conditions.

In addition, the administration of the NDRC Circular may be subject to a certain degree of executive and policy discretion by the NDRC. There is also a risk that the registration approval with the NDRC may be revoked or amended in the future or that future changes in PRC laws and regulations may have a negative impact on the Bonds in the PRC. Potential investors of the Bonds are advised to exercise due caution when making their investment decisions.

The obligations of the Guarantor under the Guarantee are structurally subordinated to the liabilities and obligations of its subsidiaries.

The Guarantor's ability to perform its obligations under the Guarantee is effectively dependent on the cash flow of its subsidiaries. Any claim by the Trustee against the Guarantor in relation to the Guarantee will be effectively subordinated to all existing and future obligations of the Guarantor's subsidiaries (which have not provided the Guarantee), and all claims by creditors of such subsidiaries will have priority to the assets of such entities over the claims of the Trustee under the Guarantee.

A trading market for the Bonds may not develop.

The Bonds are a new issue of securities for which there is currently no trading market. There can be no assurance as to the liquidity of the Bonds or that an active trading market will develop. If such a market were to develop, the Bonds could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Guarantor's operations and the market for similar securities. Although application will be made for the listing of the Bonds on the Hong Kong Stock Exchange, no assurance can be given as to the liquidity of, or trading marked for, the Bonds. The Joint Lead Managers are not obligated to make a market in the Bonds and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Joint Lead Managers. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, the holders of the Bonds will only be able to resell the Bonds in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. It is investors' obligation to ensure that offers and sales of the Bonds within the United States and other countries comply with applicable securities laws. Please see "*Subscription and Sale*". None of the Issuer or the Guarantor can predict whether an active trading market for the Bonds will develop or be sustained.

The insolvency laws of the British Virgin Islands, the PRC and other local insolvency laws may differ from those of another jurisdiction with which the holders of the Bonds are familiar.

As the Issuer is incorporated under the laws of British Virgin Islands and the Guarantor is incorporated under the laws of the PRC, any insolvency proceeding relating to the Issuer or the Guarantor would likely involve British Virgin Islands or PRC insolvency laws, as the case may be, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Bonds are familiar.

Investment in the Bonds is subject to exchange rate risks.

The Bonds are denominated and payable in U.S. dollars. If a Bondholder measures its investment returns by reference to a currency other than U.S. dollars, an investment in the Bonds entails foreign exchange related risks, including changes in the value of U.S. dollars relative to the currency by reference to which an investor measures its investment returns. Depreciation of the U.S. dollars against such currency could cause a decrease in the effective yield of the Bonds below their stated coupon rates and could result in a loss when the return on the Bonds is translated into such currency. In addition, there may be tax consequences for Bondholders as a result of any foreign currency gains resulting from any investment in the Bonds.

International financial markets and world economic conditions may adversely affect the market price of the Bonds.

The market price of the Bonds may be adversely affected by declines in the international financial markets and world economic conditions. The market for Bonds is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including the PRC. Since the sub-prime mortgage crisis in 2008, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Bonds could be adversely affected.

Modifications and waivers may be made in respect of the Conditions, the Trust Deed, the Agency Agreement and/or the Deed of Guarantee by the Trustee or less than all of the holders of the Bonds.

The Conditions provide that the Trustee may (but is not obliged to), without the consent of Bondholders, agree to any modification of the Conditions, the Trust Deed, the Agency Agreement and/or the Deed of Guarantee which in the opinion of the Trustee will not be materially prejudicial to the interests of Bondholders and which in the opinion of the Trustee is of a formal, minor or technical nature or is to correct a manifest error or to comply with any mandatory provision of law.

In addition, the Trustee may (but is not obliged to), without the consent of the Bondholders, authorise or waive any proposed breach or breach of, or any failure to comply with the Conditions or any provision of the Trust Deed, the Deed of Guarantee and/or the Agency Agreement (other than a proposed breach, or a breach relating to the subject of certain reserved matters) if, in the opinion of the Trustee, the interests of the Bondholders will not be materially prejudiced thereby.

Several initial investors may own a majority of the Bonds to be issued and may therefore be able to exercise certain rights and powers on behalf of all holders of such Bonds. Additionally, this may reduce the liquidity of the Bonds in the secondary trading market.

Several initial investors may own a majority of the Bonds being offered under this Offering Circular. Any holder of a majority in aggregate principal amount of the Bonds will have certain rights and powers under the Trust Deed and related documents. For example, subject to certain exceptions, the holders of a majority in aggregate principal amount of the Bonds may direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee or exercising any trust or power conferred on it. In addition, as described in "*Terms and Conditions of the Bonds*", the Conditions, the Trust Deed, the Agency Agreement and/or the Deed of Guarantee may be amended with the consent of the holders of a majority in aggregate principal amount of the Bonds, and any proposed breach or breach of, or any failure to comply with the Conditions or any provision of the Trust Deed, the Deed of Guarantee and/or the Agency Agreement may be waived with the consent of the holders of a majority in aggregate principal amount of the Bonds. Accordingly, any holder that holds a majority in aggregate principal amount of the Bonds will be able to exercise such rights and powers on behalf of all holders of the Bonds and control the outcome of votes on such matters. There is a risk that the decision of the majority of holders of the Bonds may be adverse to the interests of individual Bondholders.

In addition, any holder that holds a significant percentage of the Bonds, even if less than a majority, will be able to exercise certain rights and powers and will have significant influence on matters voted on by holders the Bonds. For example, holders of at least 25 per cent. in aggregate principal amount of the Bonds may declare all of the Bonds to be immediately due and payable if certain types of Events of Default have occurred and are continuing.

Additionally, the existence of any such significant holder may reduce the liquidity of the Bonds in the secondary trading market. If such holder sells a material portion of the Bonds at any one time, it may materially and adversely affect the trading price of the Bonds.

The Group's financial statements were prepared in conformity with PRC GAAP, which differs from IFRS in certain aspects, and investors may have less confidence in the reliability of the Group's financial statements and adversely affect the market price of the Bonds.

The consolidated financial statements of the Group included elsewhere in this Offering Circular were prepared in conformity with PRC GAAP which differs in certain aspects from IFRS. See "*Summary of Certain Material Differences between PRC GAAP and IFRS*". Investors may have less confidence in the consolidated financial statements of the Group and the financial information of the Group included elsewhere in this Offering Circular, which may adversely affect the market price of the Bonds. In addition, investors should consult their own professional advisers for an understanding of any difference and how they may affect the financial information contained herein.

The Bonds may not be a suitable investment for all investors.

Each potential investor in any Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Bonds, the merits and risks of investing in the relevant Bonds and the information contained or incorporated by reference in this Offering Circular;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Bonds and the impact such investment will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Bonds;

- understand thoroughly the terms of the relevant Bonds and be familiar with the behaviour of any relevant indices and financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in Bonds which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of such Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) Bonds are legal investments for it, (b) Bonds can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Bonds under any applicable risk-based capital or similar rules.

Gains on the transfer of the Bonds may be subject to income tax and value-added tax under PRC tax laws.

Any gains on the transfer of the Bonds by holders who are deemed under the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the "**EIT Law**") as resident enterprises (including enterprises incorporated in the PRC) are subject to PRC enterprise income tax and any other applicable tax. In addition, under the EIT Law, any gains realised on the transfer of the Bonds by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. Under the EIT Law, a "non-resident enterprise" means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. There remains uncertainty as to whether the gains realised on the transfer of the Bonds by enterprise holders would be treated as incomes derived from sources within the PRC and be subject to PRC enterprise income tax. In addition, there is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply, respectively, unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income.

According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (the "**Taxation Arrangement**") which was promulgated on 21 August 2006, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds if such capital gains are not connected with an office or establishment that the Bondholders have in the PRC and all the other relevant conditions are satisfied. As the Bonds will be held in the clearing systems, it is not possible to ascertain the jurisdiction of the Bondholders.

Pursuant to the EIT Law, the PRC Individual Income Tax Law (the "**IIT Law**") which took effect on 30 June 2011 and amended on 31 August 2018, and the implementation regulations in relation to both the EIT Law and IIT Law, PRC income tax at a rate of 10 per cent. or 20 per cent. is normally applicable to PRC-sourced income derived by non-resident enterprises or individuals, respectively, subject to adjustment by applicable treaty. As the Issuer is a PRC resident enterprise for tax purposes, interest paid to non-resident Bondholders may be regarded as PRC-sourced, and therefore be subject to PRC income tax at a rate of 10 per cent. for non-resident enterprise Bondholders and at a rate of 20 per cent. for non-resident individual Bondholders (or a lower treaty rate, if any).

On 23 March 2016, the MOF and the State Administration of Taxation issued the Circular of Full Implementation of Business Taxation issued and the Circular of Full Implementation of Business Tax to Value Added Tax Reform (Caishui [2016] No. 36) (關於全面推開營業稅改徵增值稅試點的通知(財稅[2016]36號)) ("**Circular 36**"), which introduced a new value added tax ("**VAT**") from 1 May 2016. VAT is applicable where entities or individuals provide services within the PRC. The services are treated as being provided within the PRC where either the service provider or the service recipient is located in the PRC. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the "loans" refers to the activity of lending capital of another's use and receiving the interest income thereon. It is not clear from the interpretation of Circular 36, if the provision of loans to the Issuer could be considered services provided within the PRC, it could therefore be regarded as the provision of financial services that could be subject to VAT. PRC tax authorities could take the view that the holder of the Bonds is providing loans within the PRC because the Issuer is treated as a PRC tax resident. In such case, the issuance of the Bonds could be regarded as the provision of services subject to the local levies at approximately 12 per cent. of the VAT payment and consequently, the combined rate of VAT and local levies would be around 6.72 per cent. Given that the Issuer pays interest income to Bondholders who are located outside of the PRC, the Issuer, acting as the obligatory withholder in accordance with applicable law, shall withhold VAT and local levies from the payment of interest income to Bondholders who are located outside of the PRC.

VAT is unlikely to be applicable to any transfer of the Bonds between entities or individuals located outside of the PRC and therefore unlikely to be applicable to gains realised upon such transfers of the Bonds, but there is uncertainty as to the applicability of VAT if either the seller or buyer of the Bonds is located inside the PRC. Circular 36 together with other laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties.

If a Bondholder, being a non-resident enterprise or non-resident individual, is required to pay any PRC income tax on interest or gains on the transfer of the Bonds, the value of the relevant Bondholder's investment in the Bonds may be materially and adversely affected.

If a Bondholder is an overseas branch without legal person status established by a domestic entity, pursuant to the regulations regarding enterprise income tax on interest income received from the PRC by an overseas branch of a PRC bank set forth under the State Administration of Taxation on Relevant Matters concerning Withholding of Enterprise Income Tax in the Payment of Interest by a Domestic Institution to an Overseas Branch of a Chinese Bank (Announcement No. 47 [2015] of the State Administration of Taxation) (關於境內機構向我國銀行的境外分行支付利息扣繳企業所得稅有關問題的公告(國家稅務總局 [2015] No. 47)), an overseas branch established outside of the PRC by a PRC resident bank shall be regarded as having the same legal person status as its head office bank. If such overseas branch engages in domestic business and receives interest from a domestic institution, enterprise income tax in relation to such interest shall be paid together with its head office. Where a domestic institution pays interest to an overseas branch, it is not obligated to withhold taxes.

There is also no assurance that the PRC courts will recognise and enforce judgements of the Hong Kong courts in respect of English law governed matters or disputes.

The Conditions and the transaction documents are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters or disputes, Hong Kong courts may require certain additional procedures to be taken.

In addition, under the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned ("**Reciprocal Recognition Arrangement**"), judgements of Hong Kong courts are likely to be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgements have agreed to submit to the exclusive jurisdiction of Hong Kong courts. However, recognition and enforcement of a Hong Kong court judgement could be refused if the PRC courts consider that the enforcement of such judgement is contrary to the social and public interest of the PRC or meets other circumstances specified by the Reciprocal Recognition Arrangement. While it is expected that the PRC courts will recognise and enforce a judgement given by Hong Kong courts governed by English law, there can be no assurance that the PRC courts will do so for all such judgements as there is no established practice in this area. Compared to other similar debt securities issuances in the international capital markets where the relevant holders of the debt securities would not typically be required to submit to an exclusive jurisdiction, the Bondholders will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the Bondholders' ability to initiate a claim outside of Hong Kong will be limited.

Any change in English law which governs the Bonds may adversely affect holders of the Bonds.

The Conditions are governed by English law. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the Bonds.

The Bonds will initially be evidenced by the Global Certificate and holders of a beneficial interest in the Global Certificate must rely on the procedures of the relevant Clearing System.

The Bonds will initially be evidenced by the Global Certificate. Such Global Certificate will be deposited with a common depositary for Euroclear and Clearstream (each a "**Clearing System**"). Except in the circumstances described in the Global Certificate, investors will not be entitled to receive definitive Bonds. The relevant Clearing System will maintain records of the beneficial interests in the Global Certificate.

While the Bonds are evidenced by the Global Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems. While the Bonds are evidenced by the Global Certificate the Issuer will discharge its payment obligations under the Bonds by making payments to the common depositary for Euroclear and Clearstream for distribution to their account holders. A holder of a beneficial interest in the Global Certificate must rely on the procedures of the relevant Clearing System to receive payments under the Bonds. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate. Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System to appoint appropriate proxies.

TERMS AND CONDITIONS OF THE BONDS

The following is the text of the terms and conditions of the Bonds (as defined below) which (subject to modification and except for the paragraphs in italics) will be endorsed on the Bond Certificates (as defined below) issued in respect of the Bonds:

The U.S.$100,000,000 in aggregate principal amount of 4.00 per cent. guaranteed bonds due 2025 (the "**Bonds**", which expression includes, unless the context requires otherwise, any further bonds issued pursuant to Condition 15 *(Further issues)* and to be consolidated and forming a single series therewith) of Wending Zhongyuan Company Limited (the "**Issuer**") are constituted by a trust deed dated 22 March 2022 (as amended or supplemented from time to time, the "**Trust Deed**") between the Issuer, Central China Securities Co., Ltd. (中原证券股份有限公司) (the "**Guarantor**") and CMB Wing Lung (Trustee) Limited as trustee for itself and the Bondholders (as defined below) (the "**Trustee**", which expression includes its successor(s) and all persons for the time being as trustee or trustees appointed under the Trust Deed) and are the subject of an agency agreement dated 22 March 2022 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer, the Guarantor, CMB Wing Lung Bank Limited as registrar (in that capacity, the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Bonds), as principal paying agent (in that capacity, the "**Principal Paying Agent**", which expression includes any successor principal paying agent appointed from time to time in connection with the Bonds), as transfer agent (the "**Transfer Agent**", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Bonds), the paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Bonds), the Trustee and any other Agents appointed thereunder. References herein to the "**Agents**" are to the Principal Paying Agent, the Registrar, the Transfer Agents and the Paying Agents and any other agent or agents appointed from time to time under the Agency Agreement with respect to the Bonds, and any reference to an "**Agent**" is to any one of them. The Bonds also have the benefit of a deed of guarantee (the "**Deed of Guarantee**") dated 22 March 2022 executed by the Guarantor and the Trustee relating to the Bonds, such deed being executed in favour of the Trustee (for itself and the Bondholders).

These terms and conditions (these "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed (which includes the form of the certificates evidencing the Bonds), the Agency Agreement and the Deed of Guarantee and are subject to their detailed provisions. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Deed of Guarantee and are deemed to have notice of those provisions of the Agency Agreement applicable to them. Copies of the of the Trust Deed, the Agency Agreement and the Deed of Guarantee are available for inspection by Bondholders during normal business hours (between 9:00 a.m. to 3:00 p.m. Monday to Friday, public holidays excepted) upon prior written request and satisfactory proof of holding and identity at the principal place of business for the time being of the Trustee (being at the Issue Date at 6/F. CMB Wing Lung Bank Building, 45 Des Voeux Road Central, Hong Kong) and at the specified office (as defined in the Trust Deed) of the Principal Paying Agent.

All capitalised terms that are not defined in these Conditions will have the meanings given to them in the Trust Deed.

1 Form, Denomination, Status and Guarantee of the Bonds

(a) ***Form and denomination***: The Bonds will be issued in registered form in denominations of U.S.$200,000 each and integral multiples of U.S.$1,000 in excess thereof (each, an "**Authorised Denomination**").

(b) ***Status of the Bonds***: The Bonds constitute direct, unconditional, unsubordinated and (subject to Condition 3(a) *(Negative Pledge)*) unsecured obligations of the Issuer which will at all times rank *pari passu* without any preference or priority among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, other than those preferred by applicable laws and regulations and save as provided in Condition 3(a) *(Negative Pledge)*.

(c) ***Guarantee of the Bonds***: The Guarantor has in the Deed of Guarantee unconditionally and irrevocably guaranteed the due and punctual payment of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deed (the "**Guarantee of the Bonds**"). The payment obligations of the Guarantor under the Guarantee of the Bonds will at all times rank at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Guarantor, other than those preferred by applicable laws and regulations and save as provided in Condition 3(a) *(Negative Pledge)*.

2 Register, Title and Transfers

(a) ***Register***: The Registrar will maintain a register of the Bondholders (as defined below) (the "**Register**") in respect of the Bonds outside the United Kingdom and the PRC in accordance with the provisions of the Agency Agreement. In these Conditions, the "**Bondholder**" and "**Holder**" of a Bond means the person in whose name such Bond is registered in the Register (or, in the case of a joint holding, the first named thereof). The Bonds are evidenced by certificates (each, a "**Bond Certificate**") and, save as provided in Condition 2(c) *(Transfers)*, each Bond Certificate shall evidence the entire holding of Bonds by the same holder. Each Bond Certificate will be numbered serially with an identifying number which will be recorded in the Register.

Upon issue, the Bonds will initially be evidenced by a registered global certificate (the "**Global Certificate**") substantially in the form scheduled to the Trust Deed. The Global Certificate will be registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"), and will be exchangeable for individual Bond Certificates only in the limited circumstances set out therein.

(b) ***Title***: The Holder of each Bond shall (except as ordered by a court of competent jurisdiction or as otherwise required by law) be treated as the absolute owner of such Bond for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Bond Certificate relating thereto (other than the endorsed form of transfer, duly completed) or the alleged destruction, loss or theft of such Bond Certificate) and no person shall be liable for so treating such Holder.

(c) ***Transfers***: Subject to Condition 2(f) *(Closed periods)* and Condition 2(g) *(Regulations concerning transfers and registration)* below, a Bond may be transferred (in whole or in part) upon the surrender of the relevant Bond Certificate, with the endorsed form of transfer duly completed and executed, at the specified office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided, however, that* a Bond may not be transferred unless the principal amount of Bonds transferred and (where not all of the Bonds held by a Holder are being transferred) the principal amount of the balance of Bonds not transferred are Authorised Denominations. Where not all the Bonds evidenced by the surrendered Bond Certificate are the subject of the transfer, a new Bond Certificate in respect of the balance of the Bonds will be issued to the transferor and a further new Bond Certificate in respect of the part transferred shall be issued to the transferee. In the case of a transfer of Bonds to a person who is already a holder of Bonds, a new Bond Certificate evidencing the enlarged holding shall only be issued against surrender of the Bond Certificate evidencing the existing holding. No transfer of title to a Bond will be valid unless and until entered on the Register.

Transfers of interests in Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

(d) ***Registration and delivery of Bond Certificates***: Within seven business days (as defined below) of the receipt of a duly completed form of transfer, surrender of the existing Bond Certificate and provision of any other evidence required by the Registrar or the relevant Transfer Agent as provided in accordance with Condition 2(c) *(Transfers)* above, the Registrar will register the transfer in question and deliver a new Bond Certificate of a like principal amount to the Bonds transferred to each relevant Holder at its specified office or (as the case may be) the specified office of any Transfer Agent or (at the request and risk of any such relevant Holder but at the Issuer's expense) by uninsured mail to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day, other than a Saturday, a Sunday or a public holiday, on which banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its specified office.

Except in the limited circumstances described in the Global Certificate, owners of interests in the Bonds will not be entitled to receive physical delivery of individual Bond Certificates. The Bonds are not issuable in bearer form.

(e) ***No charge***: The transfer of a Bond will be effected without charge to the relevant Bondholder by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon (i) payment by the relevant Bondholder of any tax, duty, assessment or other governmental charge that may be levied or imposed in relation to such transfer (or against the giving of such indemnity and/or security and/or pre-funding as the Registrar or (as the case may be) such Transfer Agent may require in such respect), (ii) the Registrar or (as the case may be) such Transfer Agent being satisfied in its absolute discretion with the documents of title or identity of the person making the application and (iii) the Registrar or the relevant Transfer Agent being satisfied that the Regulations have been complied with.

(f) ***Closed periods***: Bondholders may not require transfers to be registered (i) during the period of 15 days ending on (and including) the due date for any payment of principal (or premium, if any) in respect of that Bond, (ii) after a Tax Redemption Notice (as defined below) has been deposited in respect of such Bond pursuant to Condition 5(b) *(Redemption for tax reasons)*, (iii) after a Put Exercise Notice has been deposited in respect of such Bond pursuant to Condition 5(c) *(Redemption for Relevant Events)* or (iv) during the period of seven days ending on (and including) any Record Date (as defined in Condition 6(f) *(Record date)*).

(g) ***Regulations concerning transfers and registration***: All transfers of Bonds and entries on the Register are subject to the detailed regulations concerning the transfer of Bonds, the initial form of which is scheduled to the Agency Agreement (the "**Regulations**"). The Regulations may be changed from time to time by the Issuer, with the prior written approval of the Registrar and the Trustee or by the Registrar with the prior written approval of the Trustee. A copy of the current Regulations will be made available for inspection upon prior written request at all reasonable times during normal business hours (being 9:00 a.m. to 3:00 p.m. Monday to Friday, except public holidays) and satisfactory proof of holding and identity at the specified office of the Registrar.

3 Covenants

(a) *Negative Pledge:* So long as any Bond remains outstanding (as defined in the Trust Deed), the Issuer shall not, and the Guarantor shall procure that none of the Issuer and the Issuer's Subsidiaries, and the Issuer shall procure that none of its Subsidiaries, will, create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues to secure any Relevant Indebtedness or any guarantee or indemnity of such Relevant Indebtedness without (1) at the same time or prior thereto securing the Bonds equally and rateably or (2) providing such other security for the Bonds as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.

(b) ***Financial statements**:* So long as any Bond remains outstanding (as defined in the Trust Deed), the Guarantor will furnish the Trustee, as soon as they are available but in any event not more than 15 calendar days after they are filed with The Stock Exchange of Hong Kong Limited, true and correct copies of the Audited Financial Statements and the Semi-annual Financial Statements; *provided that*, if at any time the common shares of the Guarantor cease to be listed for trading on The Stock Exchange of Hong Kong Limited, the Guarantor shall send to the Trustee:

(i) as soon as they are available and in any event not more than 180 calendar days after the end of each Relevant Period, one copy in English of the Audited Financial Statements; and

(ii) as soon as they are available and in any event not more than 120 calendar days after the end of each Relevant Period, one copy in English of the Semi-annual Financial Statements.

The Trustee shall not be required to review any financial information furnished or delivered to it as contemplated in this Condition 3(b), and the Trustee shall not be liable to the Issuer, the Guarantor, any Bondholder or any other person for not doing so.

(c) ***Compliance Certificate:*** So long as any Bond remains outstanding (as defined in the Trust Deed), the Guarantor shall send a Compliance Certificate to the Trustee (i) at the same time as the Audited Financial Statements are provided pursuant to Condition 3(b) and (ii) within 14 days of any written request by the Trustee. The Trustee may rely on any Compliance Certificate conclusively without liability to any Bondholder or any other person for the accuracy, validity and/or genuineness of any matters or facts stated therein.

(d) ***Issuer activities:*** For so long as any Bond remains outstanding (as defined in the Trust Deed), the Issuer undertakes that it shall not, and the Guarantor will procure that the Issuer will not, carry on any business activity whatsoever other than in connection with the (i) the offering, sale or issuance of debt securities (including the Bonds) and incurrence of borrowings and other indebtedness and performance of its obligations thereunder; (ii) the investment in or on-lending of the proceeds from the issue of such debt securities or incurrence of borrowings and other indebtedness to the Guarantor or as either of them may direct; (iii) the activities directly related to the establishment and/or maintenance of the Issuer's corporate existence; and (iv) any other activities in connection therewith.

(e) ***Undertakings relating to the Guarantee***: The Guarantor undertakes to (i) file or cause to be filed with the State Administration of Foreign Exchange of the PRC (the "**SAFE**") the Deed of Guarantee within the prescribed timeframe after its execution in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by the SAFE on 12 May 2014 (with effect from 1 June 2014, the "**Guarantee Registration**"); (ii) use its best endeavours to complete the Guarantee Registration and obtain a registration certificate from the SAFE (or any other document evidencing the completion of registration issued by SAFE) on or before the Registration Deadline; and (iii) subject to completion of the Guarantee Registration, comply with all applicable PRC laws and regulations in relation to the Bonds and the Deed of Guarantee.

(f) ***NDRC notification***: The Guarantor will within 10 Registration Business Days after the Issue Date (as defined in Condition 4 *(Interest)*), file or cause to be filed with the National Development and Reform Commission of the PRC (the "**NDRC**", which for the purposes of this undertaking shall include any relevant local branch thereof) the information and documents required by the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) issued by the NDRC on, and effective from, 14 September 2015, and any related implementation rules issued by the NDRC from time to time (the "**NDRC Post-Issue Filing**").

(g) ***Notification of the Guarantee Registration and the NDRC Post-Issue Filing***: The Guarantor shall after (i) the completion of the Guarantee Registration, and (ii) the submission of the NDRC Post-Issue Filing (whichever is later, provided that such date falls before the Registration Deadline), provide the Trustee with (X) a certificate in English substantially in the form scheduled to the Trust Deed signed by an Authorised Signatory of the Guarantor confirming the completion of the Guarantee Registration and the submission of the NDRC Post-Issue Filing, and (Y) copies of the relevant documents evidencing the completion of the Guarantee Registration or the NDRC Post-Issue Filing, each certified in English as true and complete copies of the originals by an Authorised

Signatory of the Guarantor (the items specified in (X) and (Y) together, the "**Registration Documents**"). The Issuer shall, within five Registration Business Days after the documents comprising the Registration Documents are delivered to the Trustee, give notice to the Bondholders (in accordance with Condition 16 *(Notices)*) substantially in the form scheduled to the Trust Deed confirming the completion of the Guarantee Registration and the submission of the NDRC Post-Issue Filing. The Trustee shall have no obligation or duty to monitor, assist with or ensure (or otherwise assist with) the filing or completion of the NDRC Post-Issue Filing or the Guarantee Registration before the relevant deadlines specified or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the NDRC Post-Issue Filing or the Guarantee Registration or to translate or procure the translation into English of any document referred to above which is in the Chinese language or to give notice to the Bondholders confirming the completion of the NDRC Post-Issue Filing or the Guarantee Registration and shall not be liable to Bondholders or any other person for not doing so and may rely on the Registration Documents conclusively without liability to any Bondholder or any other person for the accuracy, validity and/or genuineness of any matters or facts stated therein.

(h) ***Definitions***: In these Conditions:

"**Audited Financial Statements**" means the audited consolidated annual financial statements of the Guarantor (including the balance sheet, income statement, statement of cash flows and statement of changes in shareholders' equity, each on a consolidated basis) prepared in accordance with the accounting principles generally accepted in the PRC or in Hong Kong for the Relevant Period (together with any reports including any directors' and auditors' reports and notes attached to or intended to be read with any of them, if any);

"**Authorised Signatory**" means any director or any other officer of the Issuer or the Guarantor, as the case may be, who has been duly authorised by the sole director of the Issuer or the board of directors of the Guarantor, as the case may be, to sign any certificate or document required in connection with the Trust Deed, the Deed of Guarantee, the Agency Agreement and the Bonds on behalf of, and so as to bind, the Issuer or the Guarantor, as the case may be, and which the Issuer or the Guarantor, as the case may be, has notified in writing to the Trustee and the Agents as provided in the Agency Agreement;

“**Compliance Certificate**” means a certificate in English, substantially in the form scheduled to the Trust Deed, signed by an Authorised Signatory of the Guarantor certifying that, having made due enquiries, to the best of the knowledge, information and belief of the Guarantor as at a date (the “**Certification Date**”) not more than five days before the date of the certificate:

(i) no Event of Default or Potential Event of Default had occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event or circumstance had occurred, giving details of it; and

(ii) each of the Issuer and the Guarantor has complied with all its obligations under the Bonds, the Trust Deed, the Agency Agreement and the Deed of Guarantee (as applicable), or if non-compliance had occurred, giving details of it;

“**Event of Default**” has the meaning given to it in Condition 8 *(Events of Default)*;

“**Hong Kong**” means the Hong Kong Special Administrative Region of the People’s Republic of China;

a “**Person**” means any company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

“**Potential Event of Default**” means any event or circumstance which would, with the giving of notice, lapse of time, the issuing of a certificate and/or fulfilment of any other requirement provided for in Condition 8 *(Events of Default)*, become an Event of Default;

“**PRC**” means the People’s Republic of China (for the purpose of these Conditions only, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan);

“**Registration Business Day**” means a day, other than a Saturday, Sunday or public holiday, on which commercial banks are generally open for business in Beijing;

“**Registration Deadline**” means the day falling 120 Registration Business Days after the Issue Date;

“**Relevant Indebtedness**” means any present or future indebtedness incurred outside the PRC which is in the form of or evidenced by any bond, note, debenture stock, loan stock, certificate or other securities which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) (which for the avoidance of doubt does not include bi-lateral loans, syndicated loans or club deal loans, any transferrable loan facility or agreement (including any drawing down of any existing credit line or facility of the Issuer or any of its Subsidiaries));

"**Relevant Period**" means (i) in relation to the Audited Financial Reports, each period of 12 months ending on the last day of the Guarantor's financial year (being 31 December of that financial year); and (ii) in relation to the Semi-annual Financial Statements, each period of six months ending on the last day of the Guarantor's first half of the financial year (being 30 June of that financial year);

"**Security Interest**" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

"**Semi-annual Financial Statements**" means the unaudited semi-annual financial statements (including balance sheet and income statement) of the Guarantor in English prepared on a basis consistent with the Audited Financial Statements for the Relevant Period; and

a "**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person: (a) of which 50 per cent. or more of the share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such Person is owned or controlled (either directly or through one or more other Subsidiaries) by the first Person; or (b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person.

4 Interest

The Bonds bear interest on their outstanding principal amount from, and including, 22 March 2022 (the "**Issue Date**") at the rate of 4.00 per cent. per annum of the principal amount of the Bonds, payable semi-annually in arrear in equal instalments of U.S.$20.00 per Calculation Amount (as defined below) on 22 March and 22 September in each year (each an "**Interest Payment Date**"), commencing on 22 September 2022.

Each Bond will cease to bear interest from the due date for redemption unless, upon due presentation thereof, payment of the full amount due is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) up to but excluding whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder and (b) the day which is seven calendar days after the Principal Paying Agent or the Trustee has notified the Bondholders that it has received all sums due in respect of the Bonds up to such seventh day (except to the extent that there is any subsequent default in payment).

Calculation of Interest: If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed. In these Conditions, "**Interest Period**" means each of (i) the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and (ii) each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date.

Interest in respect of any Bond shall be calculated per U.S.$1,000 in principal amount of the Bonds (the "**Calculation Amount**"). The amount of interest payable per Calculation Amount for any period shall be equal to the product of the rate of interest specified above, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

5 Redemption and Purchase

(a) ***Scheduled redemption***: Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 22 March 2025, subject as provided in Condition 6 *(Payments)*.

(b) ***Redemption for tax reasons***: The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 calendar days' prior notice (a "**Tax Redemption Notice**") to the Bondholders in accordance with Condition 16 *(Notices)* (which notice shall be irrevocable), and in writing to the Trustee and the Principal Paying Agent, *which* should specify the date for redemption and the method by which payment shall be made to the Bondholders at their principal amount, together with interest accrued up to, but excluding the date fixed for redemption, if, immediately before giving such notice, the Issuer or the Guarantor satisfies the Trustee that:

(i) the Issuer or the Guarantor (if a demand was made under the Guarantee of the Bonds) has or will become obliged to pay Additional Amounts as provided or referred to in Condition 7 *(Taxation)* as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 7 *(Taxation)*), or any change in the application or official interpretation of, or the stating of an official position with respect to, such laws or regulations (including but not limited to any decision or holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 16 March 2022; and

(ii) such obligation cannot be avoided by the Issuer or the Guarantor, as the case may be, taking reasonable measures available to it, *provided*, *however*, *that* no Tax Redemption Notice shall be given earlier than 90 calendar days prior to the earliest date on which the Issuer or the Guarantor, as the case may be, would be obliged to pay such Additional Amounts if a payment in respect of the Bonds (or the Guarantee of the Bonds, as the case may be) were then due.

Prior to the publication of any Tax Redemption Notice pursuant to this Condition 5(b), the Issuer or the Guarantor (as the case may be) shall deliver or procure that there is delivered to the Trustee:

(A) a certificate in English signed by one Authorised Signatory of the Issuer or the Guarantor (as the case may be) stating that the obligation referred to in (i) above of this Condition 5(b) cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it; and

(B) an opinion in form and substance satisfactory to the Trustee of independent legal or tax advisers of recognised standing to the effect that the Issuer or the Guarantor (as the case may be) has or will become obliged to pay such Additional Amounts as a result of such change or amendment.

The Trustee shall be entitled (but shall not be obliged) to accept and rely conclusively upon such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out in Condition 5(b)(i) and Condition 5(b)(ii) above, in which event such evidence shall be conclusive and binding on the Bondholders. The Trustee shall be protected and shall have no liability to any Bondholder or any other person for so accepting and relying on such certificate or opinion.

All Bonds in respect of which any Tax Redemption Notice is given under this Condition 5(b) shall be redeemed on the date specified in such notice in accordance with this Condition 5(b).

(c) ***Redemption for Relevant Events:*** Following the occurrence of a Relevant Event, the holder of any Bond will have the right (the "**Relevant Event Put Right**"), at such holder's option, to require the Issuer to redeem all, but not some only, of such holder's Bonds on the Put Settlement Date (as defined below) at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together in each case with accrued interest to (but excluding) the relevant Put Settlement Date. To exercise such right, the holder of the relevant Bond must deposit at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current and initially in the form scheduled to the Agency Agreement, obtainable from the specified office of any Paying Agent (a "**Put Exercise Notice**"), together with the Certificate evidencing the Bonds to be redeemed, by (i) not later than 30 days following a Relevant Event (the "**Initial Exercise Period**"), or (ii) if later, within 30 days following the date upon which notice of the Relevant Event is given to Bondholders by the Issuer as specified below (the "**Substituted Exercise Period**"). A Put Exercise Notice, once delivered, shall be irrevocable.

The "**Put Settlement Date**" in respect of any Bond for which such option is exercised shall be the 14th day after the expiry of (1) the Initial Exercise Period where the option is exercised during the Initial Exercise Period and the Substituted Exercise Period does not commence before expiry of the Initial Exercise Period or (2) in all other circumstances, the Substituted Exercise Period.Not later than 14 days (in the case of a Change of Control) or five days (in the case of a No Registration Event) following the day on which the Issuer or the Guarantor becomes aware of a Relevant Event, the Issuer, failing which the Guarantor, shall procure that notice regarding such Relevant Event shall be delivered to the Trustee and Principal Paying Agent in writing and to the holders (in accordance with Condition 16 *(Notices)*) stating:

(i) the applicable Put Settlement Date;

(ii) the date of the Relevant Event and, briefly, the events causing, as applicable, the Change of Control or No Registration Event;

(iii) the date by which a Put Exercise Notice must be given;

(iv) the redemption amount and the method by which such amount will be paid;

(v) the names and addresses of all Paying Agents;

(vi) the procedures that holders must follow and the requirements that holders must satisfy in order to exercise the Relevant Event Put Right; and

(vii) that a Put Exercise Notice, once validly given, may not be withdrawn.

The Trustee and the Agents shall have no obligation or duty to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with any Relevant Event and shall not be liable to holders, the Issuer, the Guarantor or any other person for not doing so.

So long as the Bonds are evidenced by the Global Certificate, a holder's right to redemption of the Bonds due to a Relevant Event will be effected in accordance with the rules of the relevant clearing systems.

For the purpose of these Conditions:

a "**Change of Control**" occurs when Henan Investment Group Co., Ltd. (河南投資集團有限公司) (or its successor, being a Person controlled by the People's Government of Henan Province (河南省人民政府)), ceases to be (whether directly or indirectly or beneficially) the single largest shareholder of the Guarantor or the Guarantor ceases to own (whether directly or indirectly or beneficially) 100.0 per cent. of the issued share capital of the Issuer;

"**control**" means, with respect to a Person, either (i) the ownership, acquisition or control of more than 50 per cent. of the Voting Rights of the issued share capital of such Person, whether obtained directly or indirectly, or (ii) the right to appoint and/or remove all or the majority of the members of the Person's board of directors or other governing body, whether obtained directly or indirectly and whether obtained by ownership of share capital, the possession of Voting Rights, contract or otherwise, and the term "**controlled**" has a meaning correlative to the foregoing;

a "**No Registration Event**" occurs when the Registration Condition is not satisfied on or before the Registration Deadline;

"**Registration Condition**" means the receipt by the Trustee of the Registration Documents relating to the Guarantee Registration and the NDRC Post-Issue Filing as set forth in Condition 3(g) *(Notification of the Guarantee Registration and the NDRC Post-Issue Filing)*;

a "**Relevant Event**" will be deemed to occur if (i) there is a No Registration Event or (ii) there is a Change of Control; and

"**Voting Rights**" means the right generally to vote at a general meeting of shareholders of a Person (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency, and any such voting power shall therefore be excluded for the purpose of this definition).

(d) ***No other redemption****:* The Issuer shall not be entitled to redeem the Bonds otherwise than as provided in Conditions 5(a) *(Scheduled redemption)* and (b) *(Redemption for tax reasons)* above.

(e) ***Purchase***: The Issuer, the Guarantor or any of their respective Subsidiaries may at any time purchase Bonds in the open market or otherwise and at any price. The Bonds so purchased, while held by or on behalf of the Issuer, the Guarantor or any such Subsidiary, prior to surrender to the Registrar for cancellation pursuant to Condition 5(f) *(Cancellation)*, shall not entitle the holder to vote at any meetings of the holders and shall not be deemed to be outstanding for certain purposes, including without limitation for the purpose of calculating quorums at meetings of the holders or for the purposes of Condition 8 *(Events of Default)*, Condition 12(a) *(Meetings of Bondholders)* and Condition 13 *(Enforcement)*.

(f) ***Cancellation:*** All Bond Certificates evidencing Bonds redeemed or purchased by or on behalf of the Issuer, the Guarantor or any of their respective Subsidiaries shall be surrendered for cancellation to the Registrar and, upon surrender thereof, all such Bonds and Bond Certificates shall be cancelled forthwith. Any Bond Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Bonds shall be discharged.

(g) ***Notices***: If there is more than one notice of redemption given in respect of any Bond (which shall include any notice given pursuant to Conditions 5(a) *(Scheduled redemption)* to (c) *(Redemption for Relevant Events)* inclusive), the notice given first in time shall prevail and in the event of two notices being given on the same date, the first to be given shall prevail.

(h) ***Calculations***: Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying any calculations of any amounts payable under any notice of redemption, and none of them shall be liable to holders, the Guarantor, the Issuer or any other person for doing so.

6 Payments

(a) ***Principal***: Payments of principal and premium (if any) shall be made (subject to surrender of the relevant Bond Certificates at the specified office of the Principal Paying Agent or any other Paying Agent) in the manner provided in paragraph (b) below.

(b) ***Interest***: Payments of interest shall be made in U.S. dollars by transfer to a US dollar account of the Bondholder, maintained by or on behalf of it with a bank that processes payments in US dollars, details of which appear on the Register at the close of business on the relevant Record Date (as defined in Condition 6(f) *(Record date)*) and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Bond Certificates at the specified office of any Paying Agent.

(c) ***Payments subject to fiscal laws***: All payments in respect of the Bonds are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment but without prejudice to the provisions of Condition 7 *(Taxation)* and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7 *(Taxation)*) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Bondholders in respect of such payments.

(d) ***Payment Initiation***: Payment instructions (for value the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated on the due date for payment or, in the case of payments of principal where the relevant Bond Certificate has not been surrendered at the specified office of any Paying Agent or of the Registrar, on a Payment Business Day on which the Principal Paying Agent is open for business and on which the relevant Bond Certificate is surrendered.

(e) ***Partial payments***: If a Paying Agent makes a partial payment in respect of any Bond, the Registrar will annotate the Register with the amount and date of such payment and, in the case of partial payment upon presentation of a Bond Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Bond Certificate.

(f) ***Record date***: Each payment in respect of a Bond will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's specified office on the fifteenth day before the due date for such payment (the "**Record Date**").

Notwithstanding the foregoing, so long as the Global Certificate is held on behalf of Euroclear, Clearstream or any other clearing system, each payment in respect of the Global Certificate will be made to the person shown as the Holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where "Clearing System Business Day" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

(g) ***Non-Payment Business Days***: If any date for payment in respect of any Bond is not a Payment Business Day, the holder shall not be entitled to payment until the next following Payment Business Day nor to any interest or other sum in respect of such postponed payment.

In this Condition 6 *(Payments)*:

"**Payment Business Day**" means a day (other than a Saturday or a Sunday or a public holiday) on which commercial banks and foreign exchange markets are generally open for business in Hong Kong, New York City and the place in which the specified office of the Principal Paying Agent is located.

7 Taxation

All payments under or in respect of the Bonds and the Guarantee of the Bonds by or on behalf of the Issuer or, as the case may be, the Guarantor shall be made without set-off or counterclaim, and free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the British Virgin Islands, the PRC, any jurisdiction in which the Issuer or the Guarantor is incorporated, resident or doing business for tax purposes, any jurisdiction through which payments are made, or any political subdivision thereof or any authority therein or thereof having power to tax (each a "**Relevant Jurisdiction**"), unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event the Issuer or, as the case may be, the Guarantor shall pay such additional amounts ("**Additional Amounts**") as will result in the receipt by the Bondholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Bond:

(i) held by or on behalf of a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Bond; or

(ii) held by or on behalf of a Holder who would not be liable for or subject to such withholding or deduction by making a declaration of identity, non-residence or other similar claim for exemption to the relevant tax authority if, after having been requested to make such a declaration or claim, such Holder, which is legally capable and competent of making such a declaration or claim, fails to do so within any applicable period prescribed by such relevant tax authority; or

(iii) in respect of which the Bond Certificate is surrendered (where required to be surrendered) more than 30 calendar days after the Relevant Date except to the extent that the relevant Bondholder would have been entitled to such additional amounts if it had presented such Bond for payment on the last day of such period of 30 calendar days.

"**Relevant Date**" means whichever is the later of (a) the date on which the payment in question first becomes due, and (b) if the full amount payable has not been received by the Principal Paying Agent in accordance with the provision of the Agency Agreement on or prior to such due date, the date on which the full amount has been received and notice to that effect has been given to the Bondholders.

Any reference in these Conditions to principal, premium (if any) or interest shall be deemed to include any additional amounts in respect of principal, premium (if any) or interest (as the case may be) which may be payable under this Condition 7 *(Taxation)* or any undertaking or covenant given in addition to or in substitution of this Condition 7 *(Taxation)* pursuant to the Trust Deed.

If the Issuer becomes subject at any time to any taxing jurisdiction other than the British Virgin Islands, references in these Conditions to the British Virgin Islands shall be construed as references to the British Virgin Islands and/or such other jurisdiction. If the Guarantor becomes subject at any time to any taxing jurisdiction other than the PRC, references in these Conditions to the PRC shall be construed as references to the PRC and/or such other jurisdiction.

Neither the Trustee nor the Agents shall be responsible for paying any tax, duty, charge, withholding or other payment referred to in this Condition 7 *(Taxation)* or for determining whether such amounts are payable or the amount thereof, and shall not be responsible or liable for any failure by the Issuer, the Guarantor, the Bondholders or any other person to pay such tax, duty, charge, withholding or other payment in any jurisdiction or to provide any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Bonds without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

8 Events of Default

If any of the following events (each an "**Event of Default**") occurs and is continuing, then the Trustee at its sole discretion may and, if so requested in writing by holders of at least 25 per cent. of the aggregate principal amount of the outstanding Bonds or if so directed by an Extraordinary Resolution, shall (subject to the Trustee having been indemnified and/or provided with security and/or pre-funded to its satisfaction) give written notice to the Issuer and the Guarantor declaring the Bonds are immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued and unpaid interest without further action or formality:

(a) ***Non-payment***: the Issuer or the Guarantor fails to pay any amount of principal in respect of the Bonds or the Guarantee of the Bonds, as the case may be, on the due date for payment thereof or fails to pay any amount of interest in respect of the Bonds or the Guarantee of the Bonds, as the case may be, within 14 calendar days of the due date for payment thereof; or

(b) ***Breach of other obligations***: the Issuer or the Guarantor defaults in the performance or observance of any of its other obligations under or in respect of the Bonds, the Trust Deed or the Deed of Guarantee (other than those referred to in Condition 8(a) *(Non-payment)* and where it gives rise to right of a redemption pursuant to Condition 5(c) *(Redemption for Relevant Events)*) and such default (i) is incapable of remedy or (ii) being a default which, in the sole opinion of the trustee, is capable of remedy but remains unremedied for 45 calendar days after the Trustee has given written notice thereof to the Issuer or the Guarantor, as the case may be; or

(c) ***Cross-default***:

(i) any other indebtedness of the Issuer, the Guarantor or any of their respective Subsidiaries for or in respect of moneys borrowed or raised is not paid when due or (as the case may be) within any originally applicable grace period;

(ii) any such indebtedness becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described); or

(iii) the Issuer, the Guarantor or any of their respective Subsidiaries fails to pay when due any amount payable by it under any guarantee for any moneys borrowed or raised;

provided that the aggregate amount of the relevant indebtedness and guarantees in respect of which one or more of the events mentioned above in this Condition 8(c) have occurred and are continuing exceeds U.S.$50,000,000 (or its equivalent in any other currency or currencies); or

(d) ***Enforcement proceedings***: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against a material part of the assets or revenues of the Issuer, the Guarantor or any of the Principal Subsidiaries and is not discharged or stayed within 45 days; or

(e) ***Security enforced***: any mortgage, charge, pledge, lien or other encumbrance becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) over the whole or a material part of the assets and revenues of the Issuer, the Guarantor or any of the Principal Subsidiaries and such action is not discharged within 45 days after the date thereof; or

(f) ***Insolvency, etc.***: the Issuer, the Guarantor or any of the Principal Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts as and when such debts fall due, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any material part of the debts of the Issuer, the Guarantor or any of the Principal Subsidiaries; or

(g) ***Winding up, etc.***: an order is made by a court of competent jurisdiction or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer, the Guarantor or any of the Principal Subsidiaries, except (i) in the case of any Principal Subsidiary, for the purpose of and followed by a solvent winding up, dissolution, reconstruction, merger or consolidation whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer, the Guarantor and/or another Subsidiary, (ii) on terms approved by an Extraordinary Resolution of the Bondholders, or (iii) in the case of a disposal of a Principal Subsidiary, on an arm's length basis where the assets of the Principal Subsidiary resulting from such disposal or the consideration received for such disposal are transferred to or otherwise vested in the Issuer, the Guarantor and/or another Subsidiary; or

(h) ***Government intervention***: all or any material part of the assets or undertaking of the Issuer, the Guarantor or any of their respective Principal Subsidiaries is seized, expropriated or nationalised (or any steps have been taken to seize, expropriate or nationalise) by any person acting under the authority of any national, regional or local government which individually or in aggregate, has a material adverse impact on the Issuer's or the Guarantor's ability to perform their respective obligations under the Bonds, the Trust Deed or the Deed of Guarantee; or

(i) ***Authorisation and consents***: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer and the Guarantor to lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Bonds, the Trust Deed and the Deed of Guarantee (other than with regard to the performance of and compliance with obligations thereunder), (ii) to ensure that those obligations are legally binding and enforceable in accordance with English law as the governing law thereunder, and (iii) to make the Bonds, the Trust Deed and the Deed of Guarantee admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done; or

(j) ***Analogous event***: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (d) *(Enforcement proceedings)* to (g) *(Winding up)* (all inclusive) above; or

(k) ***Unlawfulness***: it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any of their respective obligations under or in respect of the Bonds, the Guarantee of the Bonds, the Trust Deed or the Agency Agreement; or

(l) ***Guarantee of the Bonds***: the Guarantee of the Bonds is not (or is claimed by the Guarantor not to be) in full force and effect and (upon completion of the Guarantee Registration) enforceable.

In this Condition 8,

a "**Principal Subsidiary**" means any Subsidiary of the Guarantor:

(i) whose operating income or (in the case of a Subsidiary which itself has Subsidiaries) consolidated operating income, as shown by its latest audited income statement are at least 5 per cent. of the consolidated operating income as shown by the latest published audited consolidated income statement of the Guarantor; or

(ii) whose net profit or (in the case of a Subsidiary which itself has Subsidiaries) consolidated net profit, as shown by its latest audited income statement are at least 5 per cent. of the consolidated net profit as shown by the latest published audited consolidated income statement of the Guarantor including, for the avoidance of doubt, the Guarantor and its consolidated Subsidiaries' share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or

(iii) whose total assets or (in the case of a Subsidiary which itself has Subsidiaries) consolidated total assets, as shown by its latest audited balance sheet are at least 5 per cent. of the consolidated total assets of the Guarantor as shown by the latest audited consolidated balance sheet of the Guarantor including, for the avoidance of doubt, the investment of the Guarantor in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Guarantor and after adjustment for minority interests; or

(iv) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, provided that the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall forthwith become a Principal Subsidiary provided that on or after the date on which the first audited accounts (consolidated, if appropriate) of the Guarantor prepared as of a date later than such transfer are issued whether such transferor Subsidiary or such transferee Subsidiary is or is not a Principal Subsidiary shall be determined on the basis of such accounts by virtue of the provisions of paragraphs (i), (ii) or (iii) above of this definition;

provided that, in relation to paragraphs (i), (ii) and (iii) above of this definition:

(A) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Guarantor relate, the reference to the then latest consolidated audited accounts of the Guarantor for the purposes of the calculation above shall, until consolidated audited accounts of the Guarantor for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published, be deemed to be a reference to the then latest consolidated audited accounts of the Guarantor adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;

(B) if at any relevant time in relation to the Guarantor or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, operating income, net profit or total assets of the Guarantor and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by the Guarantor;

(C) if at any relevant time in relation to any Subsidiary, no accounts are audited, its operating income, net profit or total assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Guarantor; and

(D) if the accounts of any subsidiary (not being a Subsidiary referred to in proviso (i) above) are not consolidated with those of the Guarantor, then the determination of whether or not such subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Guarantor.

A statement in writing by any Authorised Signatory of the Guarantor that in its opinion a Subsidiary is or is not or was or was not at any particular time or during any particular period a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Bondholders and all parties.

9 Prescription

Claims for principal and interest on redemption shall become void unless the relevant Bond Certificates are presented for payment, in the case of principal, within 10 years or, in the case of interest, five years after the appropriate Relevant Date.

10 Replacement of Bond Certificates

If any Bond Certificate is mutilated or defaced or is alleged to have been lost, stolen or destroyed, it may be replaced at the specified office of the Registrar or the Transfer Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the fees, costs and expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer, Registrar or Transfer Agent may require. Mutilated or defaced Bond Certificates must be surrendered before replacements will be issued.

11 Trustee and Agents

Under the Trust Deed, the Trustee is entitled to be indemnified and/or secured and/or pre-funded and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Bondholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and/or any entity relating to the Issuer without accounting for any profit.

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Bondholders as a class and will not be responsible for any consequence for individual holders of Bonds as a result of such holders being connected in any way with a particular territory or taxing jurisdiction.

In acting under the Agency Agreement and in connection with the Bonds, the Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Bondholders.

The Issuer reserves the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint additional, successor or other Agents; *provided*, *however*, *that* the Issuer shall at all times maintain a principal paying agent and a registrar.

Notice of any change in any of the Agents or in their specified offices shall promptly be given to the Bondholders in accordance with Condition 16 *(Notices)*.

12 Meetings of Bondholders; Modification and Waiver

Each Bondholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer, the Guarantor and their Subsidiaries, and the Trustee and Agents shall not at any time have any responsibility for the same and each Bondholder shall not rely on the Trustee or Agents in respect thereof.

(a) ***Meetings of Bondholders***: The Trust Deed contains provisions for convening meetings of Bondholders to consider matters relating to the Bonds, including without limitation, the sanctioning by Extraordinary Resolution of a modification of any provision of these Conditions, the Trust Deed, the Agency Agreement or the Deed of Guarantee. Such a meeting may be convened by the Issuer, the Guarantor or the Trustee and shall be convened by the Trustee upon the request in writing of Bondholders holding not less than 10 per cent. of the aggregate principal amount of the Bonds for the time being outstanding (as defined in the Trust Deed) and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. of the aggregate principal amount of the Bonds for the time being outstanding (as defined in the Trust Deed) or, at any adjourned meeting, two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, any premium payable on redemption of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds, (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, (v) to effect the exchange, conversion or substitution of the Bonds for other obligations or securities or (vi) to modify (other than in accordance with Condition 12(b) *(Modification and waiver)*) or cancel the Trust Deed and the Guarantee of the Bonds (each, a "**Reserved Matter**")), in which case the necessary quorum for passing an Extraordinary Resolution at a meeting of Bondholders will be two or more persons holding or representing not less than two-thirds (⅔) or, at any adjourned meeting, one quarter (¼) of the aggregate principal amount of the Bonds for the time being outstanding (as defined in the Trust Deed). Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Bondholders (whether or not they were present at the meeting at which such resolution was passed).

In addition, a resolution in writing signed by or on behalf of Bondholders who for the time being are entitled to receive notice of a meeting of Bondholders under the Trust Deed and holding not less than 90 per cent. of the aggregate principal amount of the Bonds for the time being outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders. A resolution passed in writing will be binding on all Bondholders whether or not they participated in such written resolution.

The Trust Deed provides that (i) a resolution in writing signed (a "**Written Resolution**") or (ii) consent given by way of electronic consents through the relevant clearing system(s) ("**Electronic Consent**"), in either case, by or on behalf of the Bondholders of not less than 90 per cent. in aggregate principal amount

of the Bonds for the time being outstanding (as defined in the Trust Deed) shall for all purposes be as valid

and effective as an Extraordinary Resolution (if proposed as such) passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document, or several documents in the same form each signed by or on behalf of one or more Bondholders. A Written Resolution and/or Electronic Consent will be binding on all Bondholders whether or not they participated in such Written Resolution and/or Electronic Consent, as the case may be.

(b) ***Modification and waiver***: The Trustee may (but shall not be obliged to), without the consent of the Bondholders, agree to any modification of these Conditions, the Trust Deed, the Deed of Guarantee or the Agency Agreement (other than in respect of a Reserved Matter) which, in the opinion of the Trustee, will not be materially prejudicial to the interests of the Bondholders, which is of a formal, minor or technical nature or is to correct a manifest error or is to comply with any mandatory provision of law.

In addition, the Trustee may (but shall not be obliged to), without the consent of the Bondholders, authorise or waive any proposed breach or breach of, or any failure to comply with these Conditions or any provision of the Trust Deed, the Deed of Guarantee and/or the Agency Agreement (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Bondholders will not be materially prejudiced thereby.

Unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified by the Issuer to the Bondholders as soon as practicable thereafter in accordance with Condition 16 *(Notices)* and any such modification, authorisation or waiver shall be binding on all Bondholders.

(c) ***Directions from Bondholders***: Notwithstanding anything to the contrary in these Conditions, the Trust Deed, the Deed of Guarantee or the Agency Agreement, whenever the Trustee is required or entitled by the terms of these Conditions, the Trust Deed, the Deed of Guarantee or the Agency Agreement to exercise any discretion or power, take any action, make any decision or give any direction or certification, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction or certification, to seek directions from the Bondholders by way of an Extraordinary Resolution and to require that it is indemnified and/or secured and/or pre-funded to its satisfaction against all action, proceedings, claims and demands to which it may be or become liable and all costs, charges, damages, expenses (including legal expenses) and liabilities which may be incurred by it in connection therewith, and the Trustee shall not be responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction or certification where the Trustee is seeking such directions.

(d) ***Certificates and Reports***: The Trustee may rely without liability to Bondholders on a report, confirmation or certificate or any advice of any lawyer, accountant, financial adviser, financial institution or any other expert, whether or not obtained by, or addressed to, it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Issuer, the Trustee and the Bondholders.

13 Enforcement

The Trustee may, from time to time, at its absolute discretion and without notice (i) at any time after the Bonds have become due and payable, institute such proceedings as it thinks fit to enforce the terms of the Trust Deed, the Agency Agreement, the Bonds and/or the Guarantee of the Bonds, and/or (ii) take action (including legal action) or steps to enforce the terms of the Trust Deed, the Bonds and/or the Guarantee of the Bonds to protect or preserve the rights and interests of the Bondholders, but it shall not be bound to do so unless:

(a) it has been so requested in writing by the holders of at least 25 per cent. of the aggregate principal amount of the outstanding Bonds or has been so directed by an Extraordinary Resolution; and

(b) it has been indemnified and/or provided with security and/or pre-funded to its satisfaction.

No Bondholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

14 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking and/or instituting proceedings and/or actions and/or steps to enforce its rights under the Trust Deed or in respect of the Bonds or to enforce payment unless first indemnified and/or secured and/or pre-funded to its satisfaction and that the Trustee to be paid or reimbursed for any fees, cost, expenses, liabilities and indemnity payments incurred by the Trustee in priority to the claims of Bondholders. The Trustee and its affiliates are entitled (i) to enter into business transactions with the Issuer, the Guarantor or any of their respective Subsidiaries and/or any entity related (directly or indirectly) to the Issuer or the Guarantor without accounting for any profit, and to act as trustee for the holders of any other securities issued by or relating to, the Issuer, the Guarantor and any entity related to the Issuer or the Guarantor, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Bondholders and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Trustee shall be entitled (i) to evaluate its risk in any given circumstance by considering the worst case scenario and (ii) to require that any indemnity or security given to it by the Bondholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer or the Guarantor and any other person appointed by the Issuer or the Guarantor in relation to the Bonds of the duties and obligations on the part of the Issuer or the Guarantor expressed in respect of the same or to monitor or ascertain whether an Event of Default, a Potential Event of Default, a Relevant Event or any other event has occurred, and shall not be liable to the holders or any other person for not doing so, unless it has written notice from the Issuer or the Guarantor to the contrary, the Trustee and each Agent shall assume that the same are being duly performed.

Each Bondholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer or the Guarantor, and the Trustee shall not at any time have any responsibility for the same and each Bondholder shall not rely on the Trustee in respect thereof.

None of the Trustee or any Agent shall be liable to the Issuer, the Guarantor, any Bondholder or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Bondholders, the Issuer or the Guarantor. The Trustee and the Agents shall be entitled to rely on any direction, request or resolution of Bondholders given by holders of the requisite principal amount of Bonds outstanding or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed (or by way of written resolution or electronic consent or otherwise as contemplated or permitted by the Trust Deed and/or the Bonds). Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Deed of Guarantee, the Agency Agreement or these Conditions to exercise any discretion or power, take or refrain from taking any action, make any decision or give any direction or certification, the Trustee is entitled, prior to its exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction or certification, to seek directions from the Bondholders by way of an Extraordinary Resolution or clarification of directions, and the Trustee is not responsible for any loss or liability incurred by the Issuer, the Guarantor, any Bondholder or any other person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction where the Trustee is seeking such directions or clarification from Bondholders or in the event that no such directions or clarifications are received. The Trustee and the Agents shall not be under any obligation to monitor and shall not be responsible for compliance by the Issuer or the Guarantor or any other person appointed by the Issuer or the Guarantor in relation to the Bonds with the provisions of the Trust Deed, the Agency Agreement, the Deed of Guarantee or these Conditions.

The Trustee and each Agent may rely without liability to the Issuer, the Guarantor, Bondholders or any other person on any report, information, confirmation, opinion or certificate from or any advice of any legal advisers, accountants, auditors, valuers, auctioneers, surveyors, brokers, financial advisers, financial institution or any other expert, whether or not obtained by, or addressed to, it and whether or not their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee, the Agent or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee and each Agent may accept and shall be entitled to rely on any such report, information, confirmation, opinion or certificate or advice and, in such event, such report, information, confirmation, opinion or certificate or advice shall be binding on the Issuer, the Guarantor and the Bondholders.

15 Further Issues

The Issuer may from time to time, without the consent of the Bondholders and in accordance with the Trust Deed, create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date, the first payment of interest on them and the timing for the Guarantee Registration and the NDRC Post-Issue Filing and the subsequent notifications to the Trustee and the Bondholders) so as to be consolidated and form a single series with the Bonds. Any further bonds forming a single series with the outstanding bonds of any series (including the Bonds) constituted by the Trust Deed or any deed supplemental to it shall be constituted by a deed supplemental to the Trust Deed and be guaranteed by the Guarantor pursuant to a deed supplemental to the Deed of Guarantee.

16 Notices

All notices to the Bondholders will be valid if mailed to them at their respective addresses in the Register by uninsured mail. Any such notice shall be deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of being sent.

So long as the Bonds are evidenced by a Global Certificate and the Global Certificate is held on behalf of Euroclear and Clearstream, any notice to the holders of the Bonds shall be validly given by the delivery of the relevant notice to Euroclear and Clearstream, for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

17 Currency Indemnity

If any sum due from the Issuer or the Guarantor in respect of the Bonds or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer or the Guarantor, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Bonds, the Issuer and the Guarantor shall indemnify the Trustee and each Bondholder, on the written demand of the Trustee or such Bondholder addressed to the Issuer and the Guarantor and delivered to the Issuer and the Guarantor, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which the Trustee or such Bondholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of each of the Issuer and the Guarantor and shall give rise to a separate and independent cause of action.

18 Governing Law and Jurisdiction

(a) ***Governing law***: The Bonds, the Trust Deed, the Agency Agreement and the Deed of Guarantee, and any non-contractual obligations arising out of or in connection with them, are governed by and shall be construed in accordance with English law.

(b) ***Jurisdiction***: Each of the Issuer and the Guarantor has in the Trust Deed and the Agency Agreement, and the Guarantor has in the Deed of Guarantee, (i) agreed for the benefit of the Trustee and the Bondholders that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Bonds, the Trust Deed, the Agency Agreement and the Deed of Guarantee (as the case may be); (ii) agreed that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient to accept service of any process on its behalf. Each of the Issuer and the Guarantor has irrevocably agreed to receive service of process at Central China International Financial Holdings Company Limited, which is currently at Suites 1505-1508, Two Exchange Square, 8 Connaught Place, Central, Hong Kong, in any related legal action or proceeding in Hong Kong. Such service shall be deemed completed on delivery to such agent whether or not it is forwarded to and received by the Issuer, or the case may be, the Guarantor. If for any reason such agent ceases to act as such or no longer has an address in Hong Kong, each of the Issuer and the Guarantor shall forthwith appoint a substitute process agent in Hong Kong to accept service of process on its behalf and deliver to the Trustee a copy of such agent's acceptance of that appointment within 30 days of such cessation, failing which the Trustee shall be entitled to appoint (at the expense of the Issuer, or the case may be, the Guarantor) such an agent by written notice to the Issuer, or the case may be, Guarantor. Nothing herein shall affect the right to serve process in any other manner permitted by law.

(c) ***Waiver of immunity***: To the extent that the Issuer or the Guarantor may in any jurisdiction claim for itself or its assets or revenues sovereign, crown, state, or other immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or the Guarantor or their respective assets or revenues, each of the Issuer and the Guarantor agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

19 Contracts (Rights of Third Parties) Act 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Bonds, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

The Bonds will be evidenced by the Global Certificate and the Global Certificate contains certain provisions which modify the effect of the Conditions. Terms defined in the Conditions and the Trust Deed have the same meaning in the paragraphs below. The following is a summary of those provisions and other provisions related to the Global Certificate:

The Bonds will initially be evidenced by a Global Certificate which will be registered in the name of a nominee of, and deposited on or about the Issue Date with, a common depositary on behalf of Euroclear and Clearstream.

So long as the Bonds are evidenced by the Global Certificate, the Issuer will, for value received, promise to pay the amount payable upon redemption under the Conditions in respect of the Bonds on the maturity date (or on such earlier date as the amount payable upon redemption under the Conditions may become repayable in accordance with the Conditions), and interest in respect of such Bonds from the Issue Date in arrear at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the Conditions, save that the calculation is made in respect of the total aggregate amount of the Bonds represented by the Global Certificate, together with such other sums and additional amounts (if any) as may be payable under the Conditions, in accordance with the Conditions.

Owners of interests in the Bonds in respect of which the Global Certificate is issued will be entitled to receive individual definitive Bond Certificates if either Euroclear or Clearstream or any other clearing system (an "**Alternative Clearing System**") is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, or upon or following any failure to pay principal in respect of any Bonds when it is due and payable, or with the consent of the Issuer. Thereupon the registered holder may give notice to the Registrar of its intention to require the exchange of a specified principal amount of the Global Certificate (which may be equal to or less than the outstanding principal amount of Bonds represented hereby) for definitive Bond Certificates on or after the Exchange Date specified in the notice. "**Exchange Date**" means a day falling not less than 30 days after that on which the notice requiring exchange is given and on which banks are open for business in Hong Kong or, if relevant, the city in which the Alternative Clearing System, is located.

Payment

Payments of principal, interest and premium (if any) in respect of any Bonds represented by the Global Certificate will be made without presentation, or if no further payment falls to be made in respect of Bonds, against presentation and surrender, of the Global Certificate.

Each payment will be made to, or to the order of, the person whose name is entered on the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payment, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

Transfers

Transfers of interests in any Bonds represented by the Global Certificate will be effected through the records of Euroclear and Clearstream and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream and their respective direct and indirect participants.

Trustee's Powers

In considering the interests of holders of Bonds while the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obligated to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds and (b) consider such interests on the basis that such accountholders were the holders of the Bonds in respect of which the Global Certificate is issued.

Notices

So long as the Global Certificate is held on behalf of Euroclear or Clearstream or any Alternative Clearing System, notices to holders of the Bonds may be given by delivery of the relevant notice to Euroclear or Clearstream or such Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the Conditions.

Meetings

The holder of, or a proxy for the holder of, this Global Certificate will (unless this Global Certificate represents only one Bond) be treated as being two persons for the purposes of any quorum requirements of a meeting of Bondholders and, at any such meeting, as having one vote in respect of each U.S.$1,000 in principal amount of Bonds for which this Global Certificate is issued. The Trustee may allow a person with an interest in Bonds in respect of which this Global Certificate has been issued to attend and speak at a meeting of Bondholders on appropriate proof of his identity and interest.

Cancellation

Cancellation of any Bond evidenced by the Global Certificate which is required by the Conditions to be surrendered for cancellation will be effected by a reduction in the principal amount of the Global Certificate and in the register of Bondholders.

Bondholder's Redemption

The Bondholder's option in Condition 5(c) *(Redemption for Relevant Events)* of the Conditions may be exercised by the holder of the Global Certificate giving notice to the Paying Agent of the principal amount of the Bonds in respect of which the option is exercised within the time limits specified in the Conditions.

Issuer Redemption

The Issuer's option in Condition 5(b) *(Redemption for Tax Reasons)* of the Conditions may be exercised by the Issuer giving notice to the Bondholders within the time limits set out in and containing the information required by the Conditions.

USE OF PROCEEDS

The Group estimates that the net proceeds from the offering of the Bonds after deducting commissions to be paid to the Joint Lead Managers and other estimated expenses payable in connection with this offering will be approximately U.S.$99.1 million, which will be used for refinancing of the Group's offshore indebtedness, replenishment of its operating capital and funding of the development of its securities business.

CAPITALISATION AND INDEBTEDNESS OF THE GROUP

The following table sets forth the Group's consolidated capitalisation and indebtedness as of 30 June 2021 (i) on an actual basis, and (ii) on an adjusted basis to give effect to the issue of the Bonds before deducting the commissions and other estimated expenses payable in connection with the offering of the Bonds.

The summary consolidated financial information below should be read in conjunction with the Group's consolidated financial statements as of and for the six months ended 30 June 2021 and related notes to those financial statements included elsewhere in this Offering Circular.

	As of 30 June 2021			
	Actual		**As adjusted**	
	(RMB)	*(U.S.$)[1]*	*(RMB)*	*(U.S.$)[1]*
		(in '000)		
Short-term loans	323,051	50,034	323,051	50,034
Short-term financing instruments payable	7,862,025	1,217,673	7,862,025	1,217,673
Due to banks and other financial institutions[2]	2,504,430	387,887	2,504,430	387,887
Financial assets sold under repurchase agreements	11,656,082	1,805,297	11,656,082	1,805,297
Long-term borrowings	1,002	155	1,002	155
Bonds payable	3,556,994	550,908	3,556,994	550,908
Bonds to be issued[3]	—	—	645,660	100,000
Total indebtedness	**25,903,584**	**4,011,954**	**26,549,244**	**4,111,954**
Total equity	**14,313,232**	**2,216,837**	**14,313,232**	**2,216,837**
Total capitalisation[4]	**40,216,816**	**6,228,791**	**40,862,476**	**6,328,791**

Notes:

1. For convenience only, all translations from Renminbi into U.S. dollars are made at the rate of RMB6.4566 to U.S.$1.00, based on the noon buying rate as set forth in the H.10 statistical release of the Federal Reserve Bank of New York on 30 June 2021.

2. This amount represents borrowings from banks and other financial institutions.

3. This amount represents the aggregate principal amount of the Bonds to be issued, before deducting the commissions and other estimated expenses payable in connection with the issuance of the Bonds.

4. Total capitalisation represents the sum of total indebtedness and total equity.

On 12 September 2021, the Group redeemed the remaining U.S.$51.2 million of its U.S.$110 million 5.2 per cent. offshore bonds due 2021. On 24 February 2022, the Company issued corporate bonds titled "22 Central China 01 (22中原01)" in an aggregate principal amount of RMB2.0 billion for a tenor of three years and with a coupon rate of 3.20 per cent. per annum. The 22 Central China 01 (22中原01) bonds are listed on the SSE. See "*Description of the Group — Recent Developments*". The Group has also entered into additional financing arrangements and incurred indebtedness to replenish its working capital, to finance its business development and for other general corporate purposes since 30 June 2021. Except as otherwise disclosed in this Offering Circular, there has been no material changes in the Group's capitalisation and indebtedness since 30 June 2021.

DESCRIPTION OF THE ISSUER

OVERVIEW

The Issuer, Wending Zhongyuan Company Limited, was incorporated as a company with limited liability under the laws of the British Virgin Islands on 29 April 2020. The registered office of the Issuer is at Ritter House, Wickhams Cay II, PO Box 3170, Road Town, Tortola VG1110, British Virgin Islands. The Issuer is authorised to issue a maximum of 50,000 shares of a single class with no par value. The Issuer has issued 10,000 shares to Central China International Financial Holdings Company Limited (中州國際金融控股有限公司).

BUSINESS ACTIVITIES

The Issuer was established with full capacity to carry on or undertake any business or activity, do any act or enter into any transaction and has full rights and powers for the above purposes set out in its memorandum of association. The Issuer does not sell any products or provide any services and it has undertaken no business activities since the date of its incorporation, other than those incidental to its incorporation and establishment as a direct wholly-owned subsidiary of the Guarantor and those relating to the issue of debt securities, such as the Bonds.

DIRECTORS

The sole director of the Issuer as of the date of this Offering Circular is Ms. Yuan Cao.

FINANCIAL INFORMATION

Under the laws of the British Virgin Islands, the Issuer is not required to publish interim or annual financial statements. The Issuer has not published, and does not propose to publish, any financial statements. The Issuer is, however, required to keep such records that are sufficient to show and explain the Issuer's transactions and will, at any time, enable the financial position of the Issuer to be determined with reasonable accuracy.

DESCRIPTION OF THE GROUP

OVERVIEW

The Group is a leading securities company headquartered in Zhengzhou, Henan Province with a full-service business platform and strategic presence in China. The Company is one of the A+H listed securities companies in China and remains as the only securities company incorporated as a legal person in Henan Province. The Group is well positioned to capitalise on the rapid economic growth and development of the securities industry in Henan Province, one of the most populous provinces with the fifth-highest GDP in China for the past 17 consecutive years, as well as the abundant business opportunities emerging from the growing capital markets in China. The Group has maintained a strong growth momentum in its various business segments in recent years and has developed into a comprehensive securities company with distinctive advantages and leading market position in Henan Province. For example, the Company ranked 24th in terms of equity underwriting amount (including stock issuance amount of M&A and restructuring projects) on the SSE and the SZSE and ranked 12th among the M&A and restructuring financial advisers in China in terms of transaction amount in 2020.

As the only securities company with legal person status headquartered in Henan Province, the Group has over 19 years of market experience in Henan Province. Underpinned by its deep roots in Henan Province, it has developed perceptive insights into the local market environment as well as customer demand. The Group has built strong relationships with local government authorities and corporations. It has also established an unparalleled local advantage along with brand recognition in the Henan market compared to its competitors. As of 30 June 2021, the Group had a total of 85 securities operation branches and 30 branch offices across 15 provinces in China. An extensive and comprehensive network coverage enables the Group to provide localised services to its clients and capture more opportunities emerging from the fast-growing securities industry in Henan Province. In addition, the Group's strategic presence across China also enables it to identify and secure high-end customers and business opportunities across the nation and enhance synergy with its branch network in Henan Province.

Moreover, to achieve quality growth, the Group balances business scale, profitability and risk management in developing its business and implementing its strategies. The Group has also made significant progress in its optimisation reform in recent years and has established effective performance appraisal system, modern corporate governance and organisation structure and also market-oriented business models. In recognition of its reform efforts, the Group received from the CSRC a regulatory rating of "BBB" in 2021, representing a substantial improvement in such ranking from "C" in 2018.

By virtue of its business success and outstanding financial performance, the Group has received numerous top rankings and prestigious awards in the industry over the years. For example, the Group won the Shanghai Futures Exchange Market Making Business Diamond Award (上海期貨交易所做市業務鑽石獎) in 2020, the Financial Futures Exchange Growth Breakthrough Award (金融期貨交易所成長突破獎) in 2020, the award of "2019 Shanghai Stock Exchange Outstanding Underwriter of Local Government Bonds (2019年度上海證券交易所地方政府債券優秀承銷商)" and "2019 Model Chinese Futures Trader (2019模範中資期貨商)" in 2019. The Company was also recognised as one of the National Top Ten Silver Investment Consultants (全國十佳銀牌投顧) in 2018. The Group's Central China investor education base (中原投資者教育基地) was named in the Third Batch of National Securities & Futures Investor Education Bases (第三批國家級證券期貨投資者教育基地) by the CSRC in May 2020. For details, see "*Awards and Recognitions*".

The Group provides a comprehensive portfolio of financial products and services. It principally engages in the brokerage, credit, futures, investment banking, investment management, proprietary trading, and overseas businesses.

- **Brokerage Business.** The Group's brokerage business mainly consists of securities brokerage, wealth management and distribution of financial products. The Group trades stocks, funds, bonds and futures on behalf of the customers based on their engagement, and provides customers with investment consultancy services, financial planning services and financing services. The Group receives commission and fee income, interest income from its financing and other service charges in return. Brokerage business is one of the principal businesses of the Group and the operating income generated from this segment represented a significant portion of its total operating income historically. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, the operating income generated from the Group's brokerage business amounted to approximately RMB937.4 million, RMB1,392.4 million, RMB892.9 million, RMB342.6 million and RMB346.8 million, respectively, representing approximately 56.8 per cent., 58.7 per cent., 28.8 per cent., 27.4 per cent. and 14.8 per cent. of its total operating income, respectively, before inter-segment elimination.

- **Credit Business.** The Group's credit business mainly covers margin financing and securities lending, stock pledged repurchase and agreed repurchase securities trading services. The Company decided to categorise credit business, including businesses such as margin financing and equity pledge, as separate segment since 2020 by reference to market practice in the securities industry. For the year ended 31 December 2020 and the six months ended 30 June 2020 and 2021, the operating income generated from the Group's credit business amounted to approximately RMB299.3 million, RMB121.6 million and RMB225.6 million, respectively, representing approximately 9.6 per cent., 9.7 per cent. and 9.7 per cent. of its total operating income, respectively, before inter-segment elimination.

- **Futures Business.** The Group carries out its futures business which include futures brokerage, futures investment consultation, futures asset management and risk management. Considering the risk management of futures business and the business scale of its futures assets management business, and to align with market practice, the Company decided to categorise futures business as a separate segment since 2020. The Group generates various forms of service fees from its futures business. For example, the Group charges transaction handling fees and settlement service fees from its futures brokerage business. For the year ended 31 December 2020 and the six months ended 30 June 2020 and 2021, the operating income generated from the Group's futures business amounted to approximately RMB1,354.1million, RMB454.2 million and RMB1,074.3 million, respectively, representing approximately 43.6 per cent., 36.3 per cent. and 46.0 per cent. of its total operating income, respectively, before inter-segment elimination.

- **Investment Banking Business.** The Group's investment banking business primarily provides comprehensive corporate finance services to its institutional clients, including equity underwriting, debt underwriting and financial advisory services. Its investment banking business collaborates closely with other business segments to promote cross-selling and further expands its investment banking client base. The main sources of income from its investment banking business are underwriting commissions and fees from equity and debt underwriting and financial advisory fees. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, the operating income generated from the Group's investment banking business amounted to approximately RMB85.1 million, RMB209.3 million, RMB178.9 million, RMB82.4 million and RMB261.3 million, respectively, representing approximately 5.2 per cent., 8.8 per cent., 5.8 per cent., 6.6 per cent. and 11.2 per cent. of its total operating income, respectively, before inter-segment elimination.

- **Investment Management Business.** The Group's investment management business covers asset management, private fund management and alternative investment. The Group earns management fees and certain portion of excess revenue distribution through its asset management business and private fund management business and receives investment income from its proprietary capital investment under its alternative investment business. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, the operating income generated from the Group's investment management business amounted to approximately RMB223.8 million, RMB198.0 million, RMB85.2 million, RMB50.7 million and RMB128.8 million, respectively, representing approximately 13.6 per cent., 8.3 per cent., 2.7 per cent., 4.1 per cent. and 5.5 per cent. of its total operating income, respectively, before inter-segment elimination.

- **Proprietary Trading Business.** The Group engages in the investment and trading of stocks, bonds, funds, derivatives and other financial products as permitted by the CSRC through proprietary funding for its own account. The Group generates investment income from its proprietary trading business and conduct this business in accordance with its risk management policies and market conditions. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, the operating income generated from the Group's proprietary trading business amounted to approximately RMB83.6 million, RMB421.4 million, RMB124.2 million, RMB50.0 million and RMB233.1 million, respectively, representing approximately 5.1 per cent., 17.8 per cent., 4.0 per cent., 4.0 per cent. and 10.0 per cent. of its total operating income, respectively, before inter-segment elimination.

- **Overseas Business**. The Group's overseas business mainly covers capital market services, including securities brokerage, margin financing, futures brokerage, investment banking, securities research, and proprietary investment. For the year ended 31 December 2018, the operating income generated from the Group's overseas business amounted to approximately RMB95.9 million representing approximately 5.8 per cent. of its total operating income before inter-segment elimination. For the year ended 31 December 2019 and 2020 and the six months ended 30 June 2020 and 2021, the Group recorded an operating loss from its overseas business amounting to approximately RMB178.2 million, RMB29.8 million, RMB44.8 million and RMB25.4 million, respectively, before inter-segment elimination.

- **Other Businesses.** The Group also engages in other businesses, including, among others, regional equity market business and micro-lending business. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, the operating income generated from the Group's other businesses amounting to approximately RMB243.0 million, RMB432.0 million, RMB203.1 million, RMB200.9 million and RMB120.9 million, respectively, representing approximately 14.7 per cent., 18.2 per cent., 6.5 per cent., 16.1 per cent. and 5.2 per cent. of its total operating income, respectively, before inter-segment elimination.

As of 30 June 2021, the Group had total assets of approximately RMB54,272.6 million. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, the Group's total operating income amounted to approximately RMB1,649.7 million, RMB2,372.5 million, RMB3,103.3 million, RMB1,250.0 million and RMB2,336.0 million, respectively.

COMPETITIVE STRENGTHS

The Group believes the following competitive strengths have contributed to its success and distinguished the Group from its competitors:

The Group is well-positioned to benefit from the significant potential for economic growth and securities industry development in Henan Province.

Henan Province has the highest GDP among 18 central and western provinces in China, ranking fifth in China for the past 17 consecutive years. Located at the heart of China, Henan Province serves as an important transportation hub connecting the eastern and western regions of China, enabling it to capture the opportunities of industrial migration from the more developed eastern and southern coastal regions to the central and western regions.

The economic development of Henan Province benefits from implementation of favourable national strategic plans in China and central government policies. For example, on 1 April 2017, the State Council of the PRC officially established the "China (Henan) Pilot Free Trade Zone (中國(河南)自由貿易試驗區)", leveraging Henan Province's advantages in modern transportation and logistics system to create a high-end service platform for the further opening up of China's economy. Henan Province has great potential for urbanisation and industrialisation. According to China Index Academy (中國指數研究院) the average urbanisation rate of Henan Province experienced a continuous growth, which increased from 46.8 per cent. in 2015 to 55.43 per cent. in 2020, and the permanent urban population of Henan Province reached 55.1 million in 2020. Under the influence of the steady increase in the level of urbanisation, the per capita disposable income of residents in Henan Province continued to grow. The per capita disposable income of urban residents in Henan Province increased at a CAGR of 6.3 per cent. from 2015 to 2020, which has promoted economic stability and development of Henan Province. Henan Province's economy scale and particular development stage, together with its accelerated urbanisation rate and high growth potential has provided a promising macroeconomic environment and laid a solid foundation for the Group's further business development. Henan Province also has considerable potential for the development of its capital markets sector. Henan Provincial Government has placed strong emphasis on the development of local capital markets and intends to facilitate corporate financing by qualified local corporations through IPOs, second offerings and bond offerings, among others. Underpinned by these government efforts, the Group believes that the capital markets and securities industry in Henan Province will continue to grow.

Being the only securities company registered as a legal person headquartered in Henan Province, the Group has over 19 years of market experience in Henan Province, from which the Group has developed a deep insight into the local market environment and customer demand, built sound relationships with local government authorities and corporations, and established a strong local advantage and brand recognition in the Henan market compared to its competitors. Leveraging

Henan Province's continuous efforts in pursuing urbanisation and developing its capital markets, the Group believes that it will be able to capture greater business opportunities, enhance its leading position and command larger market shares.

The Group has established an extensive branch network and strong customer base in Henan Province and continues to expand its business across China.

Headquartered in Henan Province, the Company is endowed with the largest economic province in China's central and western areas. The Company has deeply explored the local market since its incorporation and has established strong relationships with the local government, enterprises and individual customers in Henan Province. The Group has a stable customer base in Henan Province and several of its businesses rank top there in terms of regional market share. The Group strategically develops its branch network with a focus on cities with robust economies and/or high growth potential which covers all the 18 prefecture-level cities in Henan Province. The Group's 85 securities operation branches located in these cities have completed their transition from conventional brokerage branches to comprehensive securities and financial services platforms that provide integrated brokerage, investment banking and investment management services to improve its overall client service capabilities and cross-selling ability. Such extensive and comprehensive network coverage enables the Group to provide localised services to its customers and capture more opportunities emerging from the fast-growing securities industry in Henan Province. Leveraging its "Henan Advantage", the Group has built a sizable and diverse investment banking customer base.

Furthermore, the Group continues to expand its business across China. As of 30 June 2021, the Group had a total of 85 securities operation branches and 30 branch offices across 15 provinces in China. The Group's operating network with nationwide coverage has enabled it to achieve its mission to establish a solid position in central China and to serve the whole nation (立足中原、服務全國).

The Group has diversified financing channels to meet its capital requirements and funding needs.

The Company is the eighth securities company in China listed on the main board both in Hong Kong and the Mainland China. It has established access to diversified financing channels to replenish its working capital and to support its business development. In addition to cash flows generated by its business operations, the Group mainly meets its capital requirement through equity financing and debt financing. The Group can obtain equity financing by further issuance of shares as approved by relevant authorities and according to market conditions and its own financing needs. Debt financing of the Company primarily consists of long-term financings through the public issuance of corporate bonds, subordinated bonds and private bonds. In addition, the Company obtains short-term funds through platforms including the SSE, the SZSE and the National Interbank Funding Center, and by way of bond repurchases, interbank borrowing and lending and the issuance of structured notes. For example, the Company successfully raised approximately HK$1,501.2 million gross proceeds through the IPO of its H shares in June 2014. In addition, the Company raised approximately HK$2,475.8 million net proceeds from a private placement of its H shares in August 2015. In December 2016, the Company further raised RMB2,800.0 million gross proceeds through the IPO of its A shares. The Company also issues corporate bonds in the onshore market from time to time to raise funds. As of 30 June 2021, the Company has outstanding corporate bonds of approximately RMB7.7 billion in aggregate. From 2018 to 2021, the Group maintained its AAA credit rating from Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. (上海新世紀資信評估投資服務有限公司). The Group has maintained robust financial health by virtue of its diversified financing channels and strong re-financing ability, which has enabled it to access sufficient liquidity, manage its debt maturities and repay its existing debts in a timely manner.

In addition, the Group has established long-term business relationships with a number of major PRC commercial banks, such as China Construction Bank, China Merchants Bank, China CITIC Bank, Shanghai Pudong Development Bank, China Minsheng Bank and Ping An Bank, and used bank loans to partially meet its financing needs. For example, as of 30 June 2021, the Company had obtained credit facilities of RMB22.03 billion in aggregate and approximately RMB20.03 billion remained unused. The Group's good credit standing and close relationships with financial institutions increased the diversity of liquidity and strengthened the financing capability of the Group.

The Group offers diversified and comprehensive financial products and services and benefits from the synergy achieved throughout the industrial chain led by its investment banking business.

The Group offers a diversified portfolio of financial products and services to its customers. Over the years, the Company has established a number of subsidiaries engaged in futures business, asset management and micro-lending, among others, such as Central China Equity Exchange, Central China Futures Co., Ltd. (中原期貨股份有限公司) ("**Central China Futures**"), Central China Blue Ocean, Zhongding Kaiyuan Venture Capital Management Co., Ltd. (中鼎開源創業投資管理有限公司) ("**ZDKY Venture Capital**") and Central China International. By virtue of the success of its diversification strategy and synergies achieved among different segments, the Group demonstrates good momentum of development in each of its major business lines. For details, please see "—*Business Segments*".

Focusing on the business strategy of "strengthening investment banking business and making sound investments (做強投行、做優投資)", the Group continues to deepen the reform of investment banking and has significantly improved its professional capabilities in recent years. The Group has also improved the ranking of its investment banking business in terms of core indicators such as the amount of equity business underwriting, financial consultant transaction amount of mergers, acquisitions and restricting projects, and the financing scale of private placement projects with an underwriter role. Moreover, the number of IPO projects the Group undertook with sponsor roles approved by the CSRC and pipeline projects under its investment banking segment significantly increased in recent years.

The Group has established an effective risk management system.

The Group values sustainable business growth and places emphasis on risk control. The Group has established an effective risk management system to identify, assess and manage its risk exposure, such as market risk, credit risk and operational risk, in its ordinary course of business. The Company has a four-tier risk management structure, consisting of: (i) the Board of Directors and the Board of Supervisors; (ii) the Risk Control Committee, the Audit Committee and the senior management; (iii) the Compliance Management Department, the Legal Affair Headquarter, the Risk Management Department and the Internal Audit Department; and (iv) frontline risk management staff at various departments, branches and subsidiaries. For details, please see "— *Risk Management*". The Group also utilises various risk control indicators to monitor its net capital and liquidity that may provide warnings at an early stage. In addition, the Group has implemented standardised procedures for sensitivity analysis and stress test to control or mitigate risk exposure faced by its business segments. The Company also conducts regular and irregular stress tests to assist its risk management and business and investment decisions. Supported by its multi-tiered risk management structure and stringent risk control measures, the Group has been able to effectively manage its risk exposure and conduct business in line with its risk appetite.

The Group has an experienced senior management team supported by highly proficient professional talents.

The success of the Group is also attributable to the leadership of its directors and senior management. A majority of the Group's directors, including its chairman, and members of its senior management, including its executive vice president, vice presidents, chief accountant and chief compliance officer, have over 15 years of experience in the PRC financial and securities industries. For details, please see "*Directors, Supervisors and Senior Management*". Their industry experience and visionary leadership have enabled the Group to achieve rapid and steady growth.

The Group is committed to cultivating its employees' professional skill and knowledge internally. The Group has made various training plans for its employees at all levels in order to constantly enhance their professional ability. The Group provides operation and management personnel with trainings focused on enhancing their understanding of the securities industry development, management theory and skills, strategic thinking and operation management ability. The Group also offers trainings focused on enriching business knowledge, improving product development and service abilities, and enhancing marketing skills for employees of various business segments and departments. Furthermore, the Group encourages employees to take professional qualification exams to enhance and keep themselves abreast of the professional knowledge in the securities industry. In particular, it grants certain rewards to employees who have obtained professional qualifications such as CIIA, CFA and FRM. The Group also recruits talents externally by offering attractive compensation and benefit packages. As of 30 June 2021, approximately 94.0 per cent. of the Group's employees held a bachelor's degree or above and approximately 100.0 per cent. of the Group's employees held one professional qualification of the securities industry or above.

BUSINESS STRATEGIES

Focusing on strengthening its investment banking business and optimising investments, the Company will continue to deepen its internal reform, reinforce its core competitiveness, enhance its professional service level, and accelerate the transformation into the wealth management service model. Therefore, the Company will vigorously raise the level of compliance risk control and significantly improve the professional ability of its senior management team and employees. The Group also aims to promote its capital strengths and profitability to top the list of securities companies across China and move the ranking of certain key business sector significantly forward, to achieve a "Second Take-off (二次騰飛)".

The Company intends to implement the following business strategies to achieve its goal of becoming one of the leading integrated financial groups in China:

To keep the momentum in strengthening its investment banking business to achieve market leading position

The Group intends to further strengthen its investment banking business to increase its market share in Henan Province and to rank among the leading underwriters in the investment banking sector in China. To increase the market share of its investment banking business in Henan Province, the Group aims to reinforce its equity underwriting business and further develop its debt underwriting business. For example, the Group intends to target bonds issuances by large provincial state-owned enterprises to build up its presence in the debt underwriting sector. To maintain its growth momentum, the Group plans to allocate more resources for potential client development in emerging hi-tech industry and SMEs with high growth potential. It also plans to provide value added services to its investment banking clients to build up a long-term relationship with them. In addition, the Group also plans to enhance the capability, proficiency and professional standard of its investment banking personnel and build up an investor network with customer loyalty to support the expansion of its investment banking business. Furthermore, the Group will engage in proactive risk management regime to enhance its risk management standard and balance the development of its investment banking business to achieve stable growth in this highly regulated sector.

To accelerate the transformation into the wealth management service model to secure stable revenue

The operating income generated from wealth management related segments, such as brokerage business, futures business and investment management business, contributed a substantial portion to the Group's total operating income historically. The Group estimates revenue generated from its wealth management related business will continue to serve as an important base of the Group's operating income. The Group aims to keep abreast of the industry development trend on transformation from traditional brokerage model into wealth management service model. To accelerate such transformation, the Group will enhance its customer service and business support capabilities in its wealth management business sectors. Its service capability enhancement will focus on product offerings and full-service development, client management and online platform upgrade. In addition, the Group also plans to optimise the management of its business support such as by way of improving work allocation and duty division among different departments. The Group is also establishing a centralised accounting centre and operations management centre to enhance its business support and management capabilities.

To maintain stable growth in various other business segments and carry out personnel management reform and enhance risk management regime to achieve sustainable development and efficient management

The Group's proprietary trading and other segments also play a fundamental role in the Group's diverse income streams in addition to its investment banking and wealth management related segments. To achieve sustainable development in these segments, the Group plans to capture business opportunities in line with its risk appetite. Furthermore, the Group also plans to enhance its research in the bond market, and facilitate exchange with its counterparts to strengthen its investment, trading and sales capabilities.

To optimise its overall management, the Group will actively carry out personnel management reform of all ranks, establish a more sophisticated appraisal mechanism, enhance the attraction of talents and motivate its employees to create a win-win situation for the Group's development and employee growth. In addition, the Group will strengthen its risk management capabilities, adhere to its risk appetite, enhance its operational management, and implement a comprehensive risk management system throughout the Group. To further improve its operational management efficiency, the Group will actively promote digital transformation and an in-depth integration of financial technology and operational management.

RECENT DEVELOPMENTS

On 3 July 2021, the Company published an announcement on the SSE regarding its capital injection to its wholly-owned subsidiary, Central China International. As of the date of this Offering Circular, the capital injection has been approved by the relevant government authorities and the registered capital of Central China International has increased by HK$800 million to HK$1.8 billion.

On 26 and 27 July 2021, the Company published announcements on the Hong Kong Stock Exchange and the SSE, respectively, in relation to the reduction of shareholding in the Company by Bohai Company, a shareholder of the Company. During the period from 27 January 2021 to 26

July 2021, Bohai Company reduced 2.91 per cent. shareholding in the Company by way of centralised bidding. After the reduction, Bohai Company holds approximately 6.39 per cent. equity interest of the Company.

On 5 August 2021, the Company announced an on-market repurchase of an aggregate principal amount of U.S.$58.8 million of the 2021 offshore bonds. The repurchased bonds accounted for approximately 53.45 per cent. of the initial aggregate principal amount of the 2021 offshore bonds. On 12 September 2021, the 2021 offshore bonds were fully redeemed by the Issuer.

On 7 September 2021, the Company published an announcement on the SSE regarding its proposed provision of a cross-border guarantee of HK$150 million for Central China International to obtain overseas bank loans.

On 28 September 2021, the Company published an announcement on the SSE regarding its proposed provision of a cross-border guarantee of HK$180 million for Central China International to obtain overseas bank loans.

On 29 and 30 October 2021, the Company published its 2021 Third Quarterly Report on the Hong Kong Stock Exchange and the SSE, respectively. The Group's total operating income increased substantially for the nine months ended 30 September 2021 as compared to the corresponding period in 2020, mainly attributable to the increase in income from investment banking, securities investment and sales of bulk commodity by its subsidiaries. For the nine months ended 30 September 2021, the Group recorded a substantial decrease in net operating cash flows, mainly attributable to a decrease in borrowings from banks and other financial institutions and an increase in investment in financial assets held for trading as compared to the corresponding period in 2020.

On 9 and 10 November 2021, the Company published announcements on the Hong Kong Stock Exchange and the SSE, respectively, with respect to its 2021 interim dividends payment plan, which has been approved by its extraordinary general meeting.

On 20 December 2021, the Company published an announcement on the SSE regarding the transfer of 11 per cent. equity interest in Central China Micro-lending held by a wholly-owned subsidiary of the Company, Central China Blue Ocean, which has entered into the "State-owned Property Rights Transaction Contract" with Luohe City Financial Holdings Co., Ltd. (漯河市金融控股有限公司) with the consideration of RMB126 million. Upon completion of the proposed equity transfer, Central China Blue Ocean will cease to be the controlling shareholder of Central China Micro-lending.

On 30 December 2021, the Company published announcements on the Hong Kong Stock Exchange and the SSE regarding the renewal of the securities and financial products transactions and services framework agreement entered into between the Company and Henan Investment Group Co., Ltd. (河南投資集團有限公司) on 27 March 2019 and the securities and financial products transactions and services framework agreement entered into between the Company and Central China Equity Exchange on 27 March 2019, each for a further term of three years commencing from 1 January 2022 and ending on 31 December 2024.

On 18 January 2022, the Company published announcements on the Hong Kong Stock Exchange and the SSE in respect of the nominations of Mr. Tang Jin as a candidate of non-executive director and Mr. He Jun as a candidate of independent non-executive director of the seventh session of the board of the Company and the proposed adjustment to the composition of the members of the specialised committees under the board after the approval of the appointments of Mr. Tang Jin and Mr. He Jun.

On 17 February 2022, proposed amendments to the articles of the Company and the appointments of Mr. Tang Jin as a non-executive director and Mr. He Jun as an independent non-executive director of the seventh session of the board of the Company were passed at the extraordinary general meeting. The composition of the members of the Board's specialised committees announced on 18 January 2022 has become effective.

On 17 and 18 February 2022, the Company published announcements on the Hong Kong Stock Exchange and the SSE, respectively, in relation to the preliminary financial data of the Company as at and for the year ended 31 December 2021. Such preliminary financial data are preliminary accounting data which have not been audited by independent accountants.

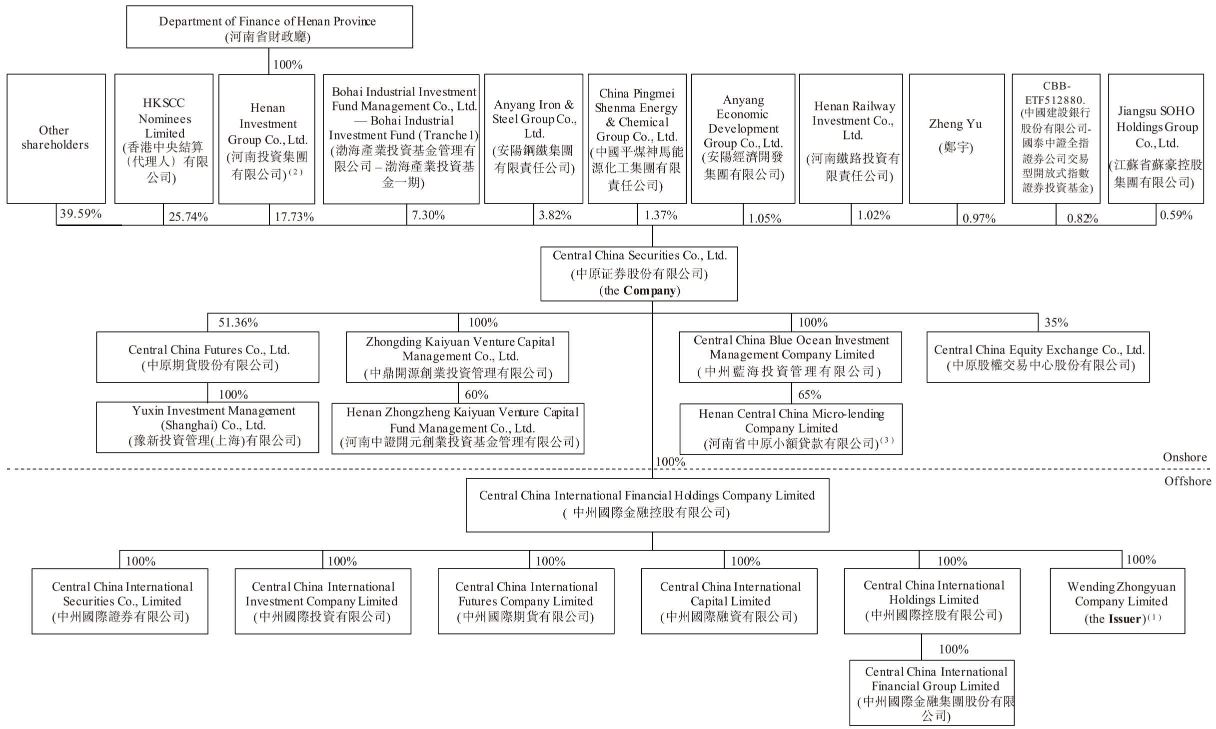
Based on the preliminary financial data, for the year ended 31 December 2021, the Group's total operating income and operating profit recorded substantial year-on-year increases. Such increases were mainly due to the year-on-year increases in operating income from the Company's principal businesses, such as investment banking business and brokerage business. The Company also recorded a minor increase in total assets as at 31 December 2021 when compared to 31 December 2020.

On 18 and 19 February 2022, the Company published announcements on the Hong Kong Stock Exchange and the SSE, respectively, in relation to the reduction of shareholding in the Company by Bohai Company. During the period from 20 August 2021 to 18 February 2022, Bohai Company reduced 5.11 per cent. shareholding in the Company by way of centralised bidding. After the reduction, Bohai Company holds approximately 1.19 per cent. equity interest of the Company.

On 24 February 2022, the Company issued corporate bonds titled "22 Central China 01 (22中原01)" in an aggregate principal amount of RMB2.0 billion for a tenor of three years and with a coupon rate of 3.20 per cent. per annum. The 22 Central China 01 (22中原01) bonds are listed on the SSE.

CORPORATE STRUCTURE

The following chart sets forth a simplified corporate structure of the Group as of 30 June 2021:



Notes:

(1) The Issuer was incorporated as a company with limited liability under the laws of the British Virgin Islands on 29 April 2020.

(2) Henan Investment Group Co., directly owned 17.73 per cent. shares in the Company and indirectly owned 3.26 per cent. shares through its wholly-owned subsidiary Dahe Paper (Hong Kong) Co., Ltd. (大河紙業(香港)有限公司) and through Shanghai-Hong Kong Stock Connect. Thus, the aggregate shareholding of Henan Investment Group Co., Ltd.in the Company was 20.99 per cent.

(3) In October 2021, the Company announced Central China Blue Ocean's proposal to transfer part of its shareholding in Central China Micro-lending. In December 2021, the Company further announced the equity transfer transaction entered into between Central China Blue Ocean and Luohe City Financial Holdings Co., Ltd. (漯河市金融控股有限公司). Upon the completion of such equity transfer, Central China Micro-lending will cease to be a consolidated subsidiary of the Company.

AWARDS AND RECOGNITIONS

In recognition of its outstanding business achievements and management capabilities, the Group has received a number of prestigious awards and honours in recent years, including, among others:

Year of Grant	Awards and Recognitions	Authorities and Awarding Organisations
2021	First peanut futures transaction	Zhengzhou Commodity Exchange (鄭州商品交易所)
	2021 China Securities Golden Bauhinia Award (第十一屆中國證券金紫荊獎) — Best Investment Value Listed Company (最具投資價值上市公司) and Best ESG Practice for Listed Companies (最佳ESG實踐上市公司)	Hong Kong Ta Kung Wen Wei Media Group United Beijing Listed Companies Association (香港大公文匯傳媒集團聯合北京上市公司協會), The Hong Kong Chinese Enterprises Association (香港中國企業協會), Hong Kong China Finance Association (香港中國金融協會), Hong Kong Chinese Securities Industry Association (香港中資證券業協會) and The Hong Kong Institute of Chartered Secretaries (香港特許秘書公會)
	Shanghai Futures Exchange Market Making Business Gold Award (上海期貨交易所做市業務金獎)	Shanghai Futures Exchange (上海期貨交易所)
	2020 Breakthrough Growth Award	The CFFE
	Regulatory Rating of Class B Grade BBB	The CSRC
2020	SZSE Second-board Market Revolution Outstanding Investor Education Awards Second Prize (深圳證券交易所創業板改革優秀投教作品二等獎)	The SZSE
	Regulatory Rating of Class A	The CSRC

Year of Grant	Awards and Recognitions	Authorities and Awarding Organisations
	2020 Junding Award of Best New Investment Bank, Mergers and Acquisitions Financial Advisory Investment Bank, and Securities Brokerage Business Service Brand in China (2020年中國區新銳投行君鼎獎、併購重組財務顧問投行君鼎獎、證券經紀業務服務品牌君鼎獎)	Securities Times (證券時報)
	The Third Batch of National Securities & Futures Investor Education Bases (第三批國家級證券期貨投資者教育基地)	The CSRC
	2019 Advanced Unit of "Party Member Demonstration Post" (2019年度"黨員示範崗"活動先進單位)	Henan Securities and Futures Fund Industry Association (河南證券期貨基金業協會)
	Awarded the title of "Most Popular Self-Media of Futures Management Organization" in the 13th China Best Futures Management Organization and Best Futures Analyst Awards ("第十三屆中國最佳期貨經營機構暨最佳期貨分析師評選"中榮獲"最受歡迎的期貨經營機構自媒體"稱號)	Futures Daily (期貨日報), Securities Daily (證券日報)
	Excellent Innovation Service Award in the 14th National Futures (Options) Real Trading Competition (第十四屆全國期貨(期權)實盤交易大賽中榮獲"優秀創新服務獎")	Securities Daily (證券日報)
2019	Regulatory Rating of Class B Grade BBB	The CSRC
	"Excellent Risk Management Company" of Zhengzhou Commodity Exchange (鄭商所優秀風險管理公司)	Zhengzhou Commodity Exchange (鄭州商品交易所)
	2019 Shanghai Stock Exchange Outstanding Underwriter of Local Government Bonds (2019年度上海證券交易所地方政府債券優秀承銷商)	The SSE

Year of Grant	Awards and Recognitions	Authorities and Awarding Organisations
	2019 Model Chinese Futures Trader (2019模範中資期貨商)	The Hong Kong Stock Exchange
	2018 Interbank Funding Center Active Trader (2018年度銀行間本幣市場活躍交易商)	National Interbank Funding Center (全國銀行間同業拆借中心)
	2018 Investor Survey Excellent Business Office (2018年度投資者調查優秀營業部)	China Securities Investor Protection Fund Corporation (中國證券投資者保護基金公司)
	New Business Form Innovation Award (新業態創新獎)	Kaifeng Demonstration Area Working Committee and Management Committee (開封市示範區工委及管委會)
	2018 Non-banking Financial Institution Comprehensive Evaluation Grade A Unit (2018年度非銀行業金融機構綜合評價A級單位)	PBOC Anyang Central Sub-branch (中國人民銀行安陽市中心支行)
	Annual Financial Work Advanced Unit (年度金融工作先進單位)	Zhumadian Municipal Bureau of Financial Affairs (駐馬店市金融工作局)
	Kaifeng Securities Financial Institution Advanced Unit (開封市證券業金融機構先進單位)	Kaifeng Municipal People's Government (開封市人民政府)
	2019 Central China Excellent Securities Service Provider (2019年度中原優秀證券服務機構)	The Zhengzhou Times (鄭州晚報)
	3rd Golden Horse Award for Chinese Securities Market — Service Entity Economic Excellence Award (第三屆中國證券市場金駿馬獎 — 服務實體經濟卓越獎)	Securities Daily (證券日報)
2018	Golden Cicada Award — 2017 Securities Company Innovation Award ("金蟬獎" 2017年度證券公司創新獎)	China Times (華夏時報)

Year of Grant	Awards and Recognitions	Authorities and Awarding Organisations
	2017 Investor Survey Excellent Business Office (2017年度投資者調查優秀營業部)	China Securities Investor Protection Fund Corporation (中國證券投資者保護基金公司)
	2017 Attract Merchants and Investments Outstanding Contribution Award (2017年度招商引資特殊貢獻獎)	Kaifeng Municipal People's Government (開封市人民政府)
	National Top Ten Silver Investment Consultant (全國十佳銀牌投顧)	The SSE
	Puyang Financial Work Advanced Unit (濮陽市金融工作先進集體)	Puyang Municipal People's Government (濮陽市人民政府)
	2017 Financial Institution Anti-Money Laundering Performance Appraisal Grade A Unit (2017年度金融機構反洗錢工作考核評級A級單位)	PBOC Xinyang Centre Sub-branch (中國人民銀行信陽中心支行)
	New Business Form Innovation Award (新業態創新獎)	Kaifeng Demonstration Area Working Committee and Management Committee (開封市示範區工委及管委會)
	2017 Zhengdong New District Economic Development "Top 100 Outstanding Contribution Enterprises" (2017年度鄭東新區經濟發展"突出貢獻百佳企業")	Zhengzhou Zhengdong New District Management Committee (鄭州市鄭東新區管理委員會)
	2017 Financial Support Luoyang Economic Development Advanced Unit (2017年度金融支援洛陽經濟發展先進單位)	Luoyang Municipal People's Government (洛陽市人民政府)
	2017 Financial Work Advanced Unit (2017年度金融工作先進單位)	Yuzhou Municipal People's Government (禹州市人民政府)
	2018 Golden Wing Award Best Investor Return Hong Kong Stock Link Company (2018年金翼獎最佳投資者回報港股通公司)	Securities Times (證券時報)

Year of Grant	Awards and Recognitions	Authorities and Awarding Organisations
2017	6th Qingdao Best RecommendedFinancial Institution — Securities Industry "Best Service" Honour (第六屆青島金融機構最佳口碑 — 證券業"最佳服務"榮譽稱號)	Qingdao Newspaper Media Group Co., Ltd. (青島報業傳媒集團有限公司) and Qingdao Blue Ocean Equity Exchange (青島藍海股權交易中心)
	2016 Investor Survey Excellent Securities Company (2016年度投資者調查優秀證券公司)	China Securities Investor Protection Fund Corporation (中國證券投資者保護基金公司)
	"Rural Credit Cup" Financial Laws and Regulations Competition Group Second Class Award ("農信杯"金融法律法規知識競賽團體二等獎)	PBOC Linzhou Sub-branch (中國人民銀行林州市支行), Linzhou Financial Service Office (林州市金融服務辦公室), Linzhou Finance Association (林州市金融協會) and Linzhou Rural Credit Cooperative (林州市農信社)
	2016 Tangyin County Support Financial Work Advanced Unit (2016年度湯陰縣支援金融工作先進單位)	Tangyin County People's Government (湯陰縣人民政府)
	2016 Whole City Financial Work Advanced Unit (2016年度全市金融工作先進單位)	Shangqiu Municipal People's Government (商丘市人民政府)
	2014-2016 "Three Consecutive Grade A" Tax Credit Enterprise Certificate of Honour (2014-2016年度"三連A級"納稅信用企業榮譽證書)	Local Taxation Bureau of Henan Province (河南省地方稅務局)
	7th China Securities Golden Bauhinia Award — The Thirteenth Five-Year Best Investment Value Listed Company (第七屆中國證券金紫荊獎十三五最具投資價值上市公司)	Hong Kong Ta Kung Wen Wei Media Group United Beijing Listed Companies Association (香港大公文匯傳媒集團聯合北京上市公司協會), The Hong Kong Institute of Chartered Secretaries (香港特許秘書公會) and The Hong Kong Chinese Enterprises Association (香港中國企業協會)
2016	2015 Bond Market Excellent Securities Company Short-term Financing Issuer (2015年度債券市場優秀證券公司短融發行人)	China Central Depository & Clearing Co., Ltd. (中央國債登記結算有限責任公司)

Year of Grant	Awards and Recognitions	Authorities and Awarding Organisations
	2015 Top 100 Hong Kong Stocks (2015年度港股百強) and Growth Oriented Enterprise Award (高成長型企業獎)	QQ.com (騰訊網) and Finet Group (財華社集團)
	2016 China (Qingdao) Wealth Management Innovation Maker Competition Excellent Wealth Management Service Award (2016 中國(青島)財富管理創新創客大賽優秀財富管理服務獎)	Qingdao Wealth Management Financial Comprehensive Reform Pilot Zone Development Committee (青島市財富管理金融綜合改革試驗區發展委員會)
	6th China Securities Golden Bauhinia Award — The Thirteenth Five-Year Best Investment Value Listed Company and Best Listed Company (第六屆中國證券金紫荊獎十三五最具投資價值上市公司及最佳上市公司)	Hong Kong Ta Kung Wen Wei Media Group United Beijing Listed Companies Association (香港大公文匯傳媒集團聯合北京上市公司協會), The Hong Kong Institute of Chartered Secretaries (香港特許秘書公會) and The Hong Kong Chinese Enterprises Association (香港中國企業協會)
	2016 Central China Best Securities Marketing Service Team (2016年度中原最佳證券行銷服務團隊)	The Zhengzhou Times (鄭州晚報社)

MILESTONES

The Group has achieved the following important milestones in the history of its business development:

Year	Events
2002.	• On 25 October, the Company obtained the CSRC's approval for inauguration and licence for securities business with an initial registered capital of RMB1,033,790,000.
2003.	• The Company acquired securities business-related assets from Henan Securities Co., Ltd. (河南證券有限責任公司) and the treasury bonds sales departments of Zhumadian Municipal Finance Bureau, Mengzhou Municipal Finance Bureau and Xuchang Municipal Finance Bureau, respectively.
	• The Company obtained the qualifications for entrusted investment management.

Year	Events
	• The Company obtained the qualifications as a lead underwriter for stocks.
2004.	• The Company was registered as a sponsor upon approval by the CSRC.
	• The Company obtained the qualifications as a sales agency for open-ended funds.
	• The Company obtained the qualifications as a securities dealer for "SSE 50ETF" financial products in China.
	• The Company obtained the qualifications to conduct online entrusted securities trading.
	• The Company obtained the qualifications to participate in treasury bond repurchases on the SSE.
2005.	• The Company became one of the first securities companies rated "standard" (規範類證券公司).
	• The Company qualified to act as a sponsor for equity division reform of listed companies.
	• The Company became a price consultation target in the IPO of the SAC and obtained the qualifications to deal in warrants.
2007.	• The Company acquired Central China Futures and increased its share capital, and expanded the Group's business scope to include the provisions of commodity futures brokerage and financial futures brokerage services.
	• The Company obtained the approval for the implementation of the scheme of third-party custody of client's transaction settlement funds.

Year	Events
2008.	• On 10 June, Henan Investment Group Co., Ltd. (河南投資集團有限公司) ("**Henan Investment Group**") was approved by the CSRC to receive 196,704,200 shares of the Company (accounting for approximately 9.7 per cent. of the registered capital) held by Henan Construction Investment Corporation (河南省建設投資總公司) and 715,253,600 shares of the Company (accounting for approximately 35.2 per cent. of the registered capital) held by Henan Economic and Technology Development Co., Ltd. (河南省經濟技術開發公司), after which Henan Investment Group holds 911,957,800 shares of the Company in aggregate, accounting for approximately 44.8 per cent. of the Company's registered capital.
	• The Company obtained the Licence of Securities Business in Foreign Currency from the SAFE.
	• The Company's registered capital was increased to RMB2,033,515,700.
2009.	• The Group established its Shanghai branch office.
2010.	• The Company obtained qualifications to conduct futures IB business.
	• The Company was certified as a chief agency broker on the NEEQ.
	• The Group obtained approval for its first collective asset management scheme "Yanhuang No. 1" from the CSRC.
2011.	• On 22 September, the CSRC approved that Bohai Industrial Investment Fund Management Co., Ltd. (渤海產業投資基金管理有限公司) (on behalf of Bohai Industrial Investment Fund (渤海產業投資基金)) was qualified to hold more than 5 per cent. of equity of the Company as a shareholder and to receive 608,000,000 shares of the Company, accounting for 29.9 per cent. of its registered capital, held by Xuji Group Co., Ltd. (許繼集團有限公司).
	• The Group established its Beijing and Zhengzhou branch offices.
2012.	• The Company obtained the qualifications to conduct margin financing and securities lending business.
	• The Company obtained the qualifications to conduct securities repurchase business.

Year	Events
	• The Group Obtained approval for its first cash management product "Yanhuang Huili collective asset management scheme" from the CSRC.
	• The Company obtained the qualifications to conduct dealer-quoted bond repurchase business.
	• The Company established its wholly-owned subsidiary, ZDKY Venture Capital, and its subsidiary, Henan Zhongzheng Kaiyuan Venture Capital Fund Management Co., Ltd. (河南中證開元創業投資基金管理有限公司) (which is currently known as Henan Zhongzheng Kaiyuan Private Equity Fund Management Co., Ltd. (河南中證開元私募基金管理有限公司)) ("**Zhongzheng Kaiyuan**"), and expanded the Group's business scope to provide equity and equity-linked debt investment, and management of private equity investment services.
	• The Company obtained the certification of the globally recognised standard ISO/IEC20000 for IT service management field.
2013.	• The Company obtained the qualifications to conduct agency sales of financial products.
	• The Company obtained the qualifications to conduct refinancing business.
	• The Company obtained the qualifications to conduct securities-backed lending business.
	• The Company obtained the qualifications to conduct agency business of securities pledge registration.
	• The Company established Ashmore-CCSC Fund Management Company Limited (中原英石基金管理有限公司) with a British investment institution Ashmore Investment Management Limited, and expanded the Group's business scope to fund formation and distribution, as well as management of separately managed accounts.
	• ZDKY Venture Capital, Zhongzheng Kaiyuan and other third-party partners established Henan Zhongzheng Kaiyuan Venture Capital Fund (Limited Partnership) (河南中證開元創業投資基金(有限合夥)) ("**ZZKY Venture Capital Fund**").
	• The Group established its Luoyang and the Sanmenxia branch offices.

Year	Events
2014.	• On 25 June, the Company's H shares were listed on the main board of the Hong Kong Stock Exchange under the stock code of 01375.HK through IPO.
	• On 28 October, the Company's registered capital was increased to RMB2,631,615,700.
	• On 29 October, the Guarantor was incorporated as a company with limited liability in Hong Kong.
2015.	• On 3 August, the Company completed a private placement of 592,119,000 H Shares, which further increased its registered capital to RMB3,223,734,700.
2017.	• On 3 January, the Company's A shares were listed on the SSE under the stock code of 601375.SH and the Company became the eighth A+H listed securities company in China.
2018.	• From 12 February to 18 May, the Company repurchased 54,664,000 H shares in aggregate through on-market share buyback, further reducing the Company's registered capital to RMB3,869,070,700.
	• The Group obtained AAA credit rating from Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. (上海新世紀資信評估投資服務有限公司).
2019	• Yuxin Investment received the Shanghai Futures Exchange Market Making Business Gold Award (上海期貨交易所做市業務金獎) and was recognised as an "Excellent Risk Management Company" of Zhengzhou Commodity Exchange (鄭商所優秀風險管理公司).
	• The Group's "Central China investor education base" was named as the "national investment education base" by the CSRC.
2020.	• On 27 August, the Company obtained "A" regulatory rating from the CSRC.
	• Yuxin Investment received the Shanghai Futures Exchange Market Making Business Diamond Award (上海期貨交易所做市業務鑽石獎).
	• In September, the Issuer issued offshore bonds due 2021 in the aggregate principal amount of U.S.$110 million with a coupon rate of 5.2 per cent. and a keepwell deed provided by the Company.

Year	Events
2021.	• On 5 August, the Company announced an on-market repurchase of an aggregate principal amount of U.S.$58.8 million of the 2021 offshore bonds. The repurchased bonds accounted for approximately 53.45 per cent. of the initial aggregate principal amount of the 2021 offshore bonds. On 12 September 2021, the 2021 offshore bonds were fully redeemed by the Issuer. • The Company entered the first batch of the "white list" system for securities companies announced by the CSRC. • The Group maintained AAA credit rating from Shanghai Brilliance Credit Rating & Investor Service Co., Ltd. for four consecutive years.

BUSINESS SEGMENTS

The Group provides a comprehensive portfolio of financial products and services. The Group principally engages in brokerage business, investment banking business, investment management business, proprietary trading business, credit business, futures business and overseas business. The following table sets forth a breakdown of the Group's total operating income by business segments for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June 2020		For the six months ended 30 June 2021	
	2018		2019		2020					
	Amount	*per cent.*	*Amount*	*per cent.*	*Amount*	*per cent.*	*Amount*	*per cent.*	*Amount*	*per cent.*
	(Audited)		*(Audited)*		*(Audited)*		*(unaudited)*		*(unaudited)*	
	(RMB in millions, except for percentages)									
Brokerage business	937.4	56.8	1,392.4	58.7	892.9	28.8	342.6	27.4	346.8	14.8
Credit business[1]	—	—	—	—	299.3	9.6	121.6	9.7	225.6	9.7
Futures business[2].	—	—	—	—	1,354.1	43.6	454.2	36.3	1,074.3	46.0
Investment banking business . . .	85.1	5.2	209.3	8.8	178.9	5.8	82.4	6.6	261.3	11.2
Investment management business .	223.8	13.6	198.0	8.3	85.2	2.7	50.7	4.1	128.8	5.5
Proprietary trading business. . . .	83.6	5.1	421.4	17.8	124.2	4.0	50.0	4.0	233.1	10.0
Overseas business	95.9	5.8	(178.2)	(7.5)	(29.8)	(1.0)	(44.8)	(3.6)	(25.4)	(1.1)
Other businesses[3]	243.0	14.7	432.0	18.2	203.1	6.5	200.9	(16.1)	120.9	5.2
Inter-segment elimination	(19.1)	(1.2)	(102.3)	(4.3)	(4.6)	(0.1)	(7.7)	(0.6)	(29.4)	(1.3)
Total operating income	**1,649.7**	**100.0**	**2,372.5**	**100.0**	**3,103.3**	**100.0**	**1,250.0**	**100.0**	**2,336.0**	**100.0**

Notes:

(1) The Company decided to categorise credit business, including businesses such as margin financing and equity pledge as separate segment by reference to market practice in the securities industry.

(2) Considering the risk management of futures business and the business scale of its futures assets management business, and to align with market practice, the Company decided to categorise futures business as a separate segment.

(3) For the years ended 31 December 2018 and 2019, the Group's operating income from other businesses primarily includes operating income from the Group's stock pledged repurchase and micro-lending businesses. For the year ended 31 December 2020 and the six months ended 30 June 2021, the Group's operating income from other businesses primarily includes, among others, regional equity market business and micro-lending business.

Brokerage Business

Overview

The Group's brokerage business mainly consists of securities brokerage, wealth management and distribution of financial products. The Group trades stocks, funds, bonds and futures on behalf of the customers based on their engagement, and provides customers with investment consultancy services, financial planning services and financing services. The Group receives commission and fee income, interest income from its financing and other service charges in return. Brokerage business is one of the principal businesses of the Group and the operating income generated from this segment represented a major portion of its total operating income historically. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, the operating income generated from the Group's brokerage business amounted to approximately RMB937.4 million, RMB1,392.4 million, RMB892.9 million, RMB342.6 million and RMB346.8 million, respectively, representing approximately 56.8 per cent., 58.7 per cent., 28.8 per cent., 27.4 per cent. and 14.8 per cent. of its total operating income, respectively, before inter-segment elimination.

As of 30 June 2021, the Group had 85 securities operation branches and 30 branch offices across 15 provinces in China, with 71 securities operation branches in Henan Province. In early 2014, the Group launched its electronic securities platform, which expands its customer reach beyond the physical boundaries of its securities operation branches and reduce its operating costs. The Group believes that its electronic securities platform is complementary to its existing securities operation branches across China. Its customers can trade at physical trading counters in its securities operation branches, or trade remotely via telephone, Internet or mobile device. Online trading has become the primary trading method for the Group's securities brokerage customers. In 2018, 2019 and 2020, online trading volume accounted for approximately 97.0 per cent., 97.1 per cent. and 94.5 per cent. of its total securities brokerage trading volume, respectively.

In order to seize business opportunities brought by the development of China's capital markets, the Group actively promotes transformation of its online-offline integrated wealth management service model. With respect to its online service, the Group continues to extend the application of financial technology and it has also devoted itself to the development of online channels, the establishment of intelligent service system, and also the integration of information system. Furthermore, the Group promotes the development of its financial product system and has improved customers' awareness of its products and "Wealth Central China" (財富中原) service brand. The Group has established its "three terminals and a WeChat (三端一微)" online service platform, centering on the "Caishengbao of Central China Securities (中原证券财升宝)" APP (the "**Caishengbao APP**"). As of 30 June 2021, more than 90 per cent. customers of the Group purchased wealth management products through the Caishengbao APP and the number of wealth management orders increased 260 per cent. on a year-on-year basis.

In respect of offline services, the Group endeavours to promote the reform of its branches and adopted one "flagship store" plus a number of "retail stores", namely, the "1+N" model in its branches in Henan Province. Such network model has allowed these branches to become display platforms, marketing platforms and service platforms for the Group's various businesses. The Group has also improved its offline service system and focused on product innovation and investment research capabilities. The Group aims to attract customers through cooperation with banks and securities companies. Targeting its key customers and their assets, the Group launched products such as "eight privileges for new clients (新客尊享八大禮遇)", "Top Ten Gold Stocks of the Month (月度十大金股)" and "Selected Public Fund Pools (精選公募基金池)" and promotes these products through its funds services and investment advice services in order to enhance its revenue generation from brokerage business.

Securities Brokerage

The Group engages in trading of various securities products, including (i) stocks of listed companies on the SSE and the SZSE; (ii) listed funds such as open-end funds, closed-end funds and ETFs; and (iii) bonds listed on the SSE and SZSE such as treasury bonds, corporate bonds and convertible bonds, on behalf of its customers. The following table sets forth the Group's securities brokerage business by product types (including brokerage trades in its margin financing and securities lending business for the year ended 31 December 2018 and 2019) in terms of trading volume and market share for the periods indicated:

	For the year ended 31 December						**For the six months ended 30 June 2021**	
	2018		**2019**		**2020**			
	Trading volume	*Market share(1)*	*Trading volume*	*Market share(1)*	*Trading volume*	*Market share(1)*	*Trading volume*	*Market share(1)*
	(RMB in billions, except for percentages)							
Stocks	898.4	86.1	1,212.2	89.9	1,760.9	91.0	824.9	94.2
Funds	143.1	13.7	131.4	9.7	136.0	7.0	29.9	3.4
Bonds	1.4	0.1	5.0	0.4	38.0	2.0	21.1	2.4
Total	**1,042.9**	**100.0**	**1,348.6**	**100.0**	**1,934.9**	**100.0**	**875.9**	**100.0**

Note:

(1) Market share is calculated based on total trading volume of member securities companies of the SSE and the SZSE.

The following table sets forth the key operating information of the Group's securities brokerage business for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June 2021
	2018	2019	2020	
Trading volume of stock funds . . .	RMB1,041.5 billion	RMB1,341.7 billion	RMB1,896.9 billion	RMB854.8 billion
Approximate number of new securities brokerage customers . .	59,000	227,000	228,000	161,700
Number of signed stock options contracts.	1.7 million	2.4 million	4.0 million	1.6 million

For the six months ended 30 June 2021, the Group's trading volume of stock funds reached approximately RMB854.8 billion, and the number of new securities brokerage customers reached 161,700, representing a year-on-year increase of approximately 1.1 per cent. and 44.0 per cent., respectively. For the same period, the average daily balance of publicly offered funds (excluding monetary market funds) reached RMB5.19 billion, representing a year-on-year increase of 198.9 per cent. Moreover, the accumulative sales of publicly offered funds and beneficiary certificates reached RMB2.93 billion and RMB4.03 billion, representing a year-on-year increase of 68.5 per cent. and 190.6 per cent., respectively.

Retail Brokerage and Institutional Brokerage

The Group's securities brokerage business consists of retail brokerage and institutional brokerage. As of 31 December 2018, 2019 and 2020 and 30 June 2021, the trading volume of the Group's retail brokerage business represented 88.0 per cent., 94.3 per cent., 96.9 per cent. and 96.5 per cent. of its total securities brokerage trading volume. The trading volume of the Group's institutional brokerage business represented 12.0 per cent., 5.7 per cent., 3.1 per cent. and 3.5 per cent. of its total securities brokerage trading volume for the same periods. As of 30 June 2021, the Group had approximately 2.45 million retail brokerage customers and approximately 2,700 institutional brokerage customers.

Wealth Management

In addition to traditional brokerage services, the Group seeks to provide value-added and differentiated wealth management services based on various needs of its customers. In 2009, the Group established "Central China Wealth (財富中原)" as its wealth management service brand. The Group classifies its wealth management customers into three categories based on their wealth management needs and risk appetite: (i) "self-service", which refers to customers with little reliance on its investment advice; (ii) "reference", which refers to customers with moderate needs for its investment advice; and (iii) "guidance", which refers to customers with a high reliance on its investment advice. The Group then provides a specific service package to different categories of customers and charges different commission rates:

- *Central China Express (中原快車)*: the Group provides standardised brokerage services, market information and advisory services to "self-service" customers;

- *Central China Bible (中原寶典)*: in addition to the basic services provided under Central China Express, the Group provides comprehensive market and industry information and investment advisory services to "reference" customers; and

- *Central China Housekeeper (中原管家)*: in addition to the comprehensive services provided under Central China Bible, the Group provides one-on-one investment advice to "guidance" customers.

In return for its wealth management services provided under Central China Bible and Central China Housekeeper, the Group generally charges higher commission rates for brokerage trades conducted by the abovementioned "reference" and "guidance" customers. In addition, the Group provides asset custodian services to its institutional and high-net-worth customers, who deposit their non-tradable shares with it, and in return, the Group offers various services, such as securities-backed lending and brokerage sales of non-tradable shares when restrictions are lifted and wealth management services, to these customers.

Distribution of financial products

The Group focuses on building up a comprehensive financial service platform through expanding its distribution of financial products business by product types and promoting its wealth management services with investment in financial products as the core. In addition to brokerage services, the Group conducts agency sales of third-party financial products through its securities branch network. Since the new regulation on agency sale of financial products in November 2012, the Group became qualified to engage in agency sale of more diverse financial products offered by third-party financial institutions in January 2013, such as those offered by trust companies and commercial banks. In recent years, the Group has been implementing its wealth management transformation strategy. The Group is eager to build up a service system on sales of financial products to boost its distribution of financial products business. The following table sets forth the trading volume of the Group's distribution of financial products business by product types for the periods indicated:

	For the year ended 31 December			For the six months ended
	2018	**2019**	**2020**	**30 June 2021**
	(RMB in millions)	*(RMB in millions)*	*(RMB in millions)*	*(RMB in millions)*
Agency sales of bank financial products	1,913	3,476	nil	nil
Agency sales of public fund products	1,158	1,563	4,417	2,927
Agency sales of new trust products	nil	129.1	nil	nil

For the six months ended 30 June 2021, the Group's trading volume of stock funds reached approximately RMB854.8 billion, and the number of new securities brokerage customers reached 161,700, representing a year-on-year increase of approximately 1.1 per cent. and 44.0 per cent., respectively. For the same period, the average daily balance of publicly offered funds (excluding monetary market funds) reached RMB5.19 billion, representing a year-on-year increase of 198.9 per cent. Moreover, the accumulative sales of publicly offered funds and beneficiary certificates reached RMB2.93 billion and RMB4.03 billion, representing a year-on-year increase of 68.5 per cent. and 190.6 per cent., respectively.

Marketing and customer services

The Group's sales and marketing team consists primarily of its own investment advisers. In line with industry practice, the Group also engages third-party securities brokers to supplement its sales network. As of 30 June 2021, the Group had 667 investment advisers and engaged 287 third-party securities brokers. The Group strives to meet customer needs through high-quality customer services. The Group provides 24/7 real-time assistance through its customer service hotline, including answering inquiries about products, trading rules, account status and trading software. In addition, the Group provides brokerage customers with investment analysis and recommendations of stocks, funds and other financial products via text messages and emails. To increase customer loyalty and promote differentiated services, the Group assigns dedicated investment consultants to provide high-end customers with customised brokerage and wealth management services.

In addition, the Group is devoted to enhancing its customer services from various perspectives, such as formulating comprehensive procedures and policies for retail customer services, investing in building up an online investment consultation platform, providing training and support to enhance the proficiency of its investment advisers, promoting its investor education brands, conducting customer satisfaction survey and analysing customer data to upgrade its customer services.

Credit Business

The Group's credit business mainly includes margin financing and securities lending, stock pledged repurchases and agreed repurchase securities trading services. Such segment was categorised under the Group's brokerage business and other business prior to 2020. For the year ended 31 December 2020 and the six months ended 30 June 2020 and 2021, the operating income generated from the Group's credit business amounted to approximately RMB299.3 million, RMB121.6 million and RMB225.6 million, respectively, representing approximately 9.6 per cent., 9.7 per cent. and 9.7 per cent. of its total operating income, respectively, before inter-segment elimination. The Company decided to categorise credit business, including businesses such as margin financing and equity pledge as separate segment by reference to the marked practice in the securities industry.

Margin Financing and Securities Lending Business

The Group provides collateralised margin financing and securities lending, which provides financial leverage for its clients and enables them to engage in short selling. The Group obtained its licence for margin financing and securities lending business from the CSRC in June 2012 and commenced such business in July 2012. Margin financing assets include advances to margin customers and securities lent to customers. The Group takes collaterals from brokerage customers who wish to finance their securities purchases and offer financing to such customers, thereby enabling them to improve investment returns through financial leverage. The Group also lends securities held in its own accounts to brokerage customers through its securities lending services, enabling them to take advantage of potential short-selling opportunities in the market. The Group enters into agreements with its customers on such margin financing and securities lending business, which typically cover terms such as margin loan or securities lending amount, maturity date and interest rate. The annualised interest rates the Group currently charges for margin financing and securities lending are 8.35 per cent. and 10.35 per cent., respectively, above the PBOC benchmark interest rate of six-month loans for financial institutions. The interest rates it charges for margin financing and securities lending may change from time to time, subject to changes in the PBOC benchmark interest rates and the market conditions. The Group also conducts margin refinancing business. Margin refinancing enables it to lend funds from third parties to its clients, thereby increasing the funds available to its margin financing business, which in turn maximises its profits.

Stock Pledged Repurchase and Agreed Repurchase Business

The Group carries out its stock pledged repurchase and agreed repurchase business through the Company. The following table sets forth the key operating information of the Group's stock pledged repurchase and agreed repurchase business for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June
	2018	2019	2020	2021
Stock pledged repurchase business				
Outstanding amount to be repurchased	RMB3,187.6 million	RMB2,029.2 million	RMB1,705 million	RMB1,571 million
Average performance guarantee ratio	147.8 per cent.	128.5 per cent.	150.3 per cent.	183.7 per cent.
Agreed Repurchase Business				
Number of customers with transaction authority.	806	1,588	1,596	1,594
Outstanding initial transaction amount to be repurchased	RMB25.1 million	RMB12.5 million	RMB9.6 million	RMB15.1 million

As of 30 June 2021, the Company had 1,181 new accounts for margin financing and securities lending, with a balance of approximately RMB7.40 billion, representing a year-on-year increase of 23.9 per cent. The average daily balance of the Company's margin trading was approximately RMB7.36 billion, representing a year-on-year increase of 29.9 per cent. As of 30 June 2021, the balance of financing amount under the stock pledged repurchase business was RMB2.250 billion, representing a year-on-year decrease of 8.92 per cent.

Futures Business

The Group's futures business primarily consists of futures brokerage, futures investment consultation, futures asset management and risk management. The Group categorised such futures business under its brokerage business segment prior to 2020. Considering the risk management of futures business and the business scale of its futures assets management business, and to align with market practice, the Company decided to categorise futures business as a separate segment. The Group generates various forms of service fees from its futures business. For example, the Group charges transaction handling fees and settlement service fees from its futures brokerage business; futures investment consulting service fees from its futures investment consultation business; and management fees and excess income distribution from its futures asset management business. The Group generated operating income from its risk management business by setting up risk management subsidiaries to carry out risk management services, such as basis trading and over-the-counter derivatives. For the year ended 31 December 2020 and the six months ended 30 June 2020 and 2021, the operating income generated from the Group's futures business amounted to approximately RMB1,354.1 million, RMB454.2 million and RMB1,074.3 million, respectively, representing approximately 43.6 per cent., 36.3 per cent. and 46.0 per cent. of its total operating income, respectively, before inter-segment elimination.

The Group carries out its futures brokerage and futures investment consultation business mainly through Central China Futures, and carries out its risk management business focusing on the futures market through a wholly-owned subsidiary of Central China Futures, Yuxin Investment Management (Shanghai) Co., Ltd. (豫新投資管理(上海)有限公司) ("**Yuxin Investment**"). For the six months ended 30 June 2021, Yuxin Investment had purchased commodities which amounted to RMB1.11 billion, representing an increase of 102.8 per cent., and sold commodities which amounted to RMB1.05 billion, representing an increase of 163.7 per cent. Central China Futures is a member of the Shanghai Futures Exchange, the Zhengzhou Commodity Exchange, the Dalian Commodity Exchange, CFFE and the Shanghai International Energy Exchange. Central China Futures holds the licences to conduct commodity futures brokerage, financial futures brokerage and futures investment consultation businesses. In 2019, Yuxin Investment received the Shanghai Futures Exchange Market Making Business Gold Award (上海期貨交易所做市業務金獎) and was recognised as an "Excellent Risk Management Company" of Zhengzhou Commodity Exchange (鄭商所優秀風險管理公司). For the six months ended 30 June 2021, the revenue generated by its market making business was approximately RMB22 million, representing an increase of 186.0 per cent. for the same period in 2020.

For the six months ended 30 June 2021, the cumulative number of transactions and the total trading volume of the Group's futures brokerage business reached 12.6 million and RMB1,034.0 billion representing an increase of 26.6 per cent. and 81.5 per cent, respectively, as compared to the same period in 2020. As of 30 June 2021, Central China Futures had 15 existing asset management schemes with a net amount of AUM of approximately RMB2.6 billion. As of 30 June 2021, the Group offers a comprehensive series of futures products in China, including 70 types of futures products, such as agricultural products, energy and chemical products, and precious and non-ferrous metals, and 21 types of options products, representing the listed options products only but excluding the stock index options. The following table sets forth the trading volume of the Group's futures brokerage business by product types for the periods indicated:

	For the year ended 31 December			**For the six months ended**
	2018	**2019**	**2020**	**30 June 2021**
	(RMB in billions)	*(RMB in billions)*	*(RMB in billions)*	*(RMB in billions)*
Commodity futures	954.5	886.0	1,135.5	714.9
Financial futures	32.8	187.1	399.5	319.2
Total	**987.3**	**1,073.1**	**1,535.0**	**1,034.1**

As of 30 June 2021, the Group had one futures branch company in Shanghai and seven futures operation branches in China. In addition, 34 of the Group's 114 securities operation branches in China are qualified for conducting futures IB business, which allow these branches to introduce potential clients to Central China Futures. For the six months ended 30 June 2021, the Group had newly-acquired 1,970 futures brokerage customers, of which institutional customers had recorded an increase of 158.3 per cent. as compared to the same period in 2020. As of 30 June 2021, the Group served a total of 30,497 futures brokerage customers, of which approximately 17.1 per cent. were introduced to Central China Futures through the Group's futures IB business.

Investment Banking Business

Overview

The Group's investment banking business primarily provides comprehensive corporate finance services to its institutional clients, including equity underwriting, debt underwriting and financial advisory services. Its investment banking business collaborates closely with other business segments to promote cross-selling and further expands its investment banking client base. The main sources of income from its investment banking business are underwriting commissions and fees from equity and debt underwriting and financial advisory fees. As of 30 June 2021, the Company ranked 24th in terms of equity underwriting amount (including stock issuance amount of M&A and restructuring projects) on the SSE and the SZSE and ranked 12th among the M&A and restructuring financial advisers in China in terms of transaction amount. The Company won the award of "2019 Shanghai Stock Exchange Outstanding Underwriter of Local Government Bonds (2019年度上海證券交易所地方政府債券優秀承銷商)".

For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, the operating income generated from the Group's investment banking business amounted to approximately RMB85.1 million, RMB209.3 million, RMB178.9 million, RMB82.4 million and RMB261.3 million, respectively, representing approximately 5.2 per cent., 8.8 per cent., 5.8 per cent., 6.6 per cent. and 11.2 per cent. respectively, before inter-segment elimination.

Equity Underwriting

The Group underwrites IPOs and secondary offerings, principally rights issues and private placements. The Group receives underwriting commissions and fees based on the size and type of financing, duration of its engagement, complexity of the transaction and market conditions. In 2020, the Group completed five refinancing projects with an aggregate amount of approximately RMB8.87 billion and also completed two targeted issuance projects on the NEEQ, raising a total of RMB108 million. For the six months ended 30 June 2021, the Group completed six lead underwriting projects and two refinancing projects of listed companies, with an aggregate lead equity underwriting amount of RMB5.68 billion, and also advised in two IPO projects.

A substantial majority of the clients in the Group's equity underwriting business are well-known state-owned enterprises or private companies based in Henan Province. These clients are in diverse industry sectors, such as environmental protection, new energy, new material, information security and finance. For example, the Group has provided equity underwriting services to Henan Baichuan Changyin Environmental Protection Energy Co., Ltd. (河南百川暢銀環保能源股份有限公司), Shanghai Taihe Water Environment Science and Technology Development Co., Ltd. (上海太和水環境科技發展股份有限公司), Chongqing Sifang New Materials Co., Ltd. (重慶四方新材股份有限公司), Zhonglan Environmental Protection Technology Co., Ltd. (中蘭環保科技股份有限公司), San'an Optoelectronics Co., Ltd. (三安光電股份有限公司), Duofuoduo New Materials Co., Ltd. (多氟多新材料股份有限公司), Henan Yicheng New Energy Co., Ltd. (河南易成新能源股份有限公司), and Shenma Industrial Co., Ltd. (神馬實業股份有限公司). The Group focuses on providing underwriting and sponsorship services to large state-owned enterprises in Henan, as well as to SMEs with high growth potential. The Group also continues to expand its equity underwriting business into other provinces in China. In 2018, 2019 and 2020 and the six months ended 30 June 2021, the average commission it charged for its equity underwriting services was approximately 1.7 per cent., 2.0 per cent., 0.5 per cent. and 4.1 per cent. of the offering size of the relevant equity issuance underwritten by it, respectively.

Debt Underwriting

The Group underwrites fixed-income securities, such as corporate bonds, enterprise bonds, and financial bonds. A substantial majority of the issuer clients of the Group's debt underwriting business are state-owned enterprises and listed companies. For example, the Group has provided debt underwriting services to Everbright Securities (光大證券), Pingdingshan Tianan Coal. Mining Co., Ltd. (平頂山天安煤業股份有限公司) and Henan Investment Group. From 1 January 2018 to 30 June 2021, as the lead underwriter in the relevant transactions, the Group completed 41 debt underwriting transactions, with aggregate total underwritten amount of approximately RMB34.7 billion. The following table sets forth the number of completed transactions and the aggregate underwriting amount underwritten by the Group when it acted as a lead underwriter from 2018 to the six months ended 30 June 2021:

	For the year ended 31 December						For the six months ended 30 June 2021	
	2018		2019		2020			
	Aggregate underwriting amount (RMB in millions)	*Number of completed transactions (units)*	*Aggregate underwriting amount (RMB in millions)*	*Number of completed transactions (units)*	*Aggregate underwriting amount (RMB in millions)*	*Number of completed transactions (units)*	*Aggregate underwriting amount (RMB in millions)*	*Number of completed transactions (units)*
Corporate bonds .	3,500	3	7,005	9	10,080	11	3,102	6
Enterprise bonds .	700	1	1,748	4	800	1	600	1
Financial bonds[(1)]	1,500	1	2,500	2	3,167	2	0	0
Total	**5,700**	**5**	**11,253**	**15**	**14,047**	**14**	**3,702**	**7**

Note:

(1) Bonds issued by PRC banks and financial institutions.

The Group charges underwriting commissions and fees on debt underwriting transactions based on comparable market fee rates, the size of financing and market conditions. In 2018, 2019 and 2020 and the six months ended 30 June 2021, the average commission it charged for its debt underwriting services was approximately 0.6 per cent., 0.8 per cent., 0.6 per cent. and 0.6 per cent, of the amount of bonds underwritten by it, respectively.

Financial Advisory

The Group provides financial advisory services in various transactions for its clients, including, among others, M&A, asset restructuring, debt restructuring and refinancing transactions. The Group charges advisory fees based on the type and size of the transactions, as well as specific terms of each assignment. From 1 January 2018 to 30 June 2021, the Group served as the independent financial advisor for 12 M&A and restructuring projects of listed companies. Major clients of its financial advisory business are state-owned enterprises and listed companies in the energy, technology and manufacturing sectors. For example, the Group has provided financial advisory services to San'an Optoelectronics Co., Ltd. (三安光電股份有限公司), Sitong New Metal Material (四通新材) and Centek (中關村科技). In addition, the Group provides recommendation services as chief agency broker to help private companies to enter into the NEEQ for share quotation and transfer. The Group charges advisory fees for its recommendation services comparable to market standards. From 1 January 2018 to 30 June 2021, the Group completed seven share quotation projects on the NEEQ and 19 targeted financing projects on the NEEQ, raising an aggregate amount of approximately RMB430 million. Most of the clients that the Group has recommended for the NEEQ are SMEs with high growth potential and operate primarily in the manufacturing, technology and software and information technology services industries. The following table sets forth the number of completed transactions of the Group's financial advisory business for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June
	2018	2019	2020	2021
	(units)	*(units)*	*(units)*	*(units)*
M&A and restructuring	3	5	3	1
Share quotation on the NEEQ	5	2	—	—
Targeted financing on the NEEQ	8	8	2	1

Investment Management Business

Overview

The Group's investment management business covers asset management, private fund management and alternative investment. The Group earns management fees and certain portion of excess revenue distribution through its asset management business and private fund management business and receives investment income from its proprietary capital investment under its alternative investment business. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, the operating income generated from the Group's investment management business amounted to approximately RMB223.8 million, RMB198.0 million, RMB85.2 million, RMB50.7 million and RMB128.8 million, respectively, representing approximately 13.6 per cent., 8.3 per cent., 2.7 per cent., 4.1 per cent. and 5.5 per cent. of its total operating income, respectively, before inter-segment elimination.

Asset Management

The Group commenced its asset management business in 2003. Its asset management products and services primarily consists of (i) collective asset management scheme, which refers to asset management for a group of clients in designated accounts pursuant to collective asset management contracts between each of such clients and the Group; (ii) targeted asset management scheme, which refers to asset management for a single institutional client in a designated account pursuant to an asset management contract between such client and the Group; and (iii) specific asset management scheme, which refers to asset management for professional investors. For the six months ended 30 June 2021, the Group focused on improving its investment research level and active management capacity, adopted differentiated and moderately-scaled business strategy and gradually enriched its asset management product line. As of 30 June 2021, the aggregate amount of AUM of the Group's asset management business amounted to approximately RMB5.80 billion, including nine collective asset management schemes with an aggregate amount of AUM of approximately RMB4.60 billion, three separately managed asset management schemes with an aggregate amount of AUM of approximately RMB750 million, and two specialised asset management schemes with an aggregate amount of AUM of approximately RMB449 million.

For its collective asset management schemes, the Group generally charges annual management fees ranged from 1.0 per cent. to 1.5 per cent. of the amount of AUM. It also charges performance fees for its collective and targeted asset management schemes. As of 31 December 2018, 2019 and 2020 and 30 June 2021, the aggregate amount of AUM of the Group's collective asset management schemes amounted to RMB5.1 billion, RMB5.0 billion, RMB4.6 billion and RMB4.6 billion, respectively.

The Group provides asset management services, such as trading in a portfolio of equity securities, trust products and bank deposits on behalf of a client through a designated account, to the clients under its targeted asset management schemes. In general, its targeted asset management schemes have a minimum subscription amount of RMB10 million and have a term from one year to three years. In return for the asset management services provided under its targeted asset management schemes, the Group receives management fees ranged from 0.6 per cent. to 1.0 per cent. of the amount of AUM. As of 31 December 2018, 2019 and 2020 and 30 June 2021, the aggregate amount of AUM of the Group's targeted asset management schemes amounted to RMB5.2 billion, RMB1.9 billion, RMB1.1 billion and RMB0.8 billion, respectively.

The Group invests in underlying assets and conducts investment on behalf of clients under its specific asset management schemes. Such clients shall be accredited investors under applicable PRC laws. Accordingly, the number of subscribers shall not exceed 200 and each subscription shall have a minimum subscription amount of RMB1.0 million. The size and term of each specific asset management scheme are determined based on the aggregate value of the underlying assets and have a term from one year to three years in general. In return for the asset management services provided under its specific asset management schemes, the Group receives management fees ranging from 0.06 per cent. to 0.09 per cent. of the amount of AUM. As of as of 31 December

2018, 2019 and 2020, and 30 June 2021, the aggregate amount of AUM of the Group's specific asset management schemes amounted to RMB0.9 billion, RMB0.7 billion, RMB0.6 billion and RMB0.4 billion, respectively.

Private Fund Management

The Group carries out its private fund management business through ZDKY Venture Capital and its subsidiaries. ZDKY Venture Capital and its subsidiaries conducts its equity-type investment in enterprises through establishment and management of private equity investment funds. The Group's private fund management business mainly consists of two product lines, namely (i) government industrial fund management and (ii) listed companies' M&A fund management. In 2019, some of its investment projects began to generate returns. For example, Jalon Micro-Nano (建龍微納) invested by the fund of Zhongzheng Kaiyuan was successfully listed on the STAR Market. From 1 January 2018 to 30 June 2021, seven new private funds were set up and under the management of ZDKY Venture Capital and its subsidiaries, with an increased fund management scale of approximately RMB3,606 million, and 12 equity-type investment projects were completed, with a total investment amount of RMB529.3 million. As of 30 June 2021, ZDKY Venture Capital and its subsidiaries managed 14 private funds with a total scale of RMB5.0 billion.

Alternative Investment

The Group carries out its alternative investment business, which covers equity investment and financial product investment, through a wholly-owned subsidiary of the Company, Central China Blue Ocean. Central China Blue Ocean conducts equity investment in pre-IPO companies and financial product investment with its own funds. From 1 January 2018 to 30 June 2021, Central China Blue Ocean had completed 80 alternative investment projects, including 45 equity investment projects and 35 financial product investment projects, with a total investment of approximately RMB1,825 million and covering enterprises in various industries, such as renewable paper, financial services, venture capital and innovation and technology. As of 30 June 2021, Central China Blue Ocean had a total of 47 projects under its investment under an aggregate investment amount of approximately RMB2,695 million, covering enterprises in a wide range of industries. For the six months ended 30 June 2021, the Group's new investment amounted to RMB739 million, including equity investment of RMB151 million and financial product investment of RMB588 million. The Group recovered investment of RMB203 million attributable to its withdrawal from eleven investment projects.

Proprietary Trading Business

Overview

The Group engages in the trading of stocks, bonds, funds, derivatives and other financial products as permitted by the CSRC through proprietary funding for its own account in accordance with its risk management policies and market conditions. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, the operating income generated from the Group's proprietary trading business amounted to approximately RMB83.6 million, RMB421.4 million, RMB124.2 million, RMB50.0 million and RMB233.1 million, respectively, representing approximately 5.1 per cent., 17.8 per cent., 4.0 per cent., 4.0 per cent. and 10.0 per cent. of its total operating income, respectively, before inter-segment elimination.

Investment Portfolio

The Group invests in a diversified portfolio of financial products, including equity securities and fixed income products for its own account.

Equity-type Investment

The Group invests in equity securities, such as stocks, funds and derivatives. The Group emphasises prudent operation and value investing in its equity trading and aim to achieve stable returns while minimising risks. It formulates annual investment strategies which determines the investment scale and risk exposure for its proprietary equity trading activities, based on its financial condition, stock research and market conditions. The Group also convenes investment strategy meetings on a quarterly basis to reassess and adjust the maximum risk exposure, investment scale and industry focus of its equity trading for the next quarter. In addition, the Group calls special meetings to adjust its investment strategies following any material changes in market conditions. The Group has adopted more stringent stop-loss procedures, including setting a risk limit for equity-type investment business, imposing a stop-loss point for each equity security. The Group can thus effectively reduce the volatility of its equity securities portfolio and enhance the stability and reliability of its proprietary equity trading activities.

Fixed Income Investment

The Group invests in fixed income products, such as bonds and derivatives. For proprietary bond trading, the Group imposes strict control over its investment horizon. A substantial majority of its bond investments include short-term and mid-term bonds which mature within three to five years. To minimise credit risk, the Group invests principally in long-term bonds that are rated AA or higher and short-term bonds that are rated A-1 in China, as well as treasury bonds. To increase its leverage ratio and improve yields on its bond investments, the Group actively engages in bond repurchase transactions in the interbank market or through stock exchanges. The Group enters into short-term repurchase agreements with counterparties such as banks and other financial institutions, under which it sells its bond investments to the counterparties and agrees to repurchase such assets at predetermined prices on the maturity date of each repurchase agreement. In addition, the Group enters into short-term resale agreements with counterparties such as banks and other financial institutions, under which it is entitled to receive interest income by purchasing financial assets, such as bonds and notes, from the counterparties and agreeing to resell such assets back to such counterparties at predetermined prices on the maturity date of each resale agreement.

Overseas Business

The Group carries out its overseas business through Central China International and its subsidiaries primarily in Hong Kong. Its overseas business covers capital market services, including securities brokerage, margin financing, futures brokerage, investment banking, securities research and proprietary investment. Central China International has obtained SFC licences Type 1, 2, 4, 5 and 6 to carry out its business in connection with securities, futures contracts and corporate finance. For the years ended 31 December 2018, the operating income generated from the Group's overseas business amounted to approximately RMB95.9 million representing approximately 5.8 per cent. of its total operating income, before inter-segment elimination. For the year ended 31 December 2019 and 2020 and the six months ended 30 June 2020 and 2021, the Group recorded an operating loss from its overseas business amounting to approximately RMB178.2 million, RMB29.8 million, RMB44.8 million and RMB25.4 million, respectively, before inter-segment elimination.

Central China International Futures Company Limited (中州國際期貨有限公司) won the award of "2019 Model Chinese Futures Trader (2019模範中資期貨商獎項)". For the six months ended 30 June 2021, the accumulative trading volume of the Group's securities brokerage business in Hong Kong market amounted to approximately HK$1.58 billion. As of 30 June 2021, the Group's overseas business had recorded a total of 8,293 securities brokerage accounts and 248 futures brokerage accounts.

Other Businesses

Overview

The Group also engages in other businesses, including, among others, regional equity market business and micro-lending business. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, the operating income generated from the Group's other businesses amounted to approximately RMB243.0 million, RMB432.0 million, RMB203.1 million, RMB200.9 million and RMB120.9 million, respectively, representing approximately 14.7 per cent., 18.2 per cent., 6.5 per cent., 16.1 per cent. and 5.2 per cent. of its total operating income, respectively, before inter-segment elimination.

Regional Equity Market Business

The Group carries out its regional equity market business through a subsidiary of the Company, Central China Equity Exchange, in the OTC market. Central China Equity Exchange is the only regional equity market approved by Henan Provincial Government. Its business primarily covers the registration, custody, quotation, transfer and financing of SME stocks, convertible bonds and other securities authorised by the State Council. Over years of development, Central China Equity Exchange has successfully established a service base of capital market for Henan Province. As of 30 June 2021, over 9,000 enterprises were listed on Central China Equity Exchange, with an aggregate capital raised of approximately RMB13.9 billion, ranking sixth among the 35 regional equity markets in China. From 1 January 2018 to 30 June 2021, various state-owned or private companies issued 29 convertible bonds over Central China Equity Exchange, raising approximately RMB1.3 billion in aggregate. As of 30 June 2021, Central China Equity Exchange had 456 enterprises with approximately 65.70 billion shares in custody.

Micro-lending Business

The Group conducts its micro-lending business through a subsidiary of the Company, Central China Micro-lending. Central China Micro-lending is one of the leading micro-lending companies in Henan Province with province-wide coverage. It was awarded the 2020 Special Contribution Award of Kaifeng City Urban-Rural Integration Demonstration Zone for Opening-up and Investment Attraction, and was selected as the 2020 Outstanding Micro-lending Company of Henan Province by Henan Finance Guarantee Industry Association. The Group mainly offers micro-lending services to SMEs. In addition to debt financing, the Group also provides consultation services to SME customers in relation to their business development, corporate management and financing strategy. Central China Micro-lending adopts a market strategy of "One Large and One Small (一大一小)", with "One Large" refers to expanding into the large-scale and high-end customers of the Group through close interactions with other business segments, such as investment banking and asset management, in order to provide more comprehensive financial services to these customers; and "One Small" refers to performing well in provision of financial services to small and micro enterprises and individual customers through offering innovative financial products such as "four board loan (四板貸)", employee loan and "two mortgage loan (二押貸)". For the six months ended 30 June 2021, Central China Micro-lending extended an aggregate loan amount of approximately RMB306 million to its customers. As of 30 June 2021, the balance of loans from Central China Micro-lending to its customers amounted to approximately RMB1,066 million.

The Company holds Central China Micro-lending through Central China Blue Ocean. In October 2021, the Company announced Central China Blue Ocean's proposal to transfer part of its shareholding in Central China Micro-lending. In December 2021, the Company further announced equity transfer transaction entered into between Central China Blue Ocean and Luohe City Financial Holdings Co., Ltd. (漯河市金融控股有限公司). Upon the completion of such equity transfer, Central China Micro-lending will cease to be a consolidated subsidiary of the Company.

BUSINESS NETWORK

As of 30 June 2021, the Group had 85 securities operation branches and 30 branch offices across 15 provinces in China, including a number of which located in Beijing, Shanghai, Zhejiang Province, Guangdong Province, among other, in addition to a majority of which based in Henan Province. In addition to its traditional physical business presence, the Group also relies on online trading portal and electronic securities platform, including its mobile application, to perform various businesses.

RESEARCH

The Group established its research centre in Shanghai in 2002. Its research covers macro-economic analysis, industry sectors and listed companies, investment strategies, quantitative research, financial innovation and QFII-related services. The Group's research team provides research reports and regular updates to its brokerage customers, assisting them in identifying and evaluating investment opportunities. In addition, its research team provides valuable support to the Group's other business segments, such as proprietary trading, asset management and investment banking.

As of 30 June 2021, the Group's research team consisted of 25 research analysts, of which two held doctorate degrees, 21 held master's degrees and the remaining two held bachelor's degrees. Certain of its research analysts hold professional qualifications, such as CIIA, CFA and FRM. The Group also encourages its research analysts to attend professional training programs to enhance their research expertise.

INFORMATION TECHNOLOGY

The Group's IT system is a vital component of its operations, which covers transaction handling, customer service and risk management functions. In order to comply with the developing needs of corporate governance and risk management, the Group has established a specialised IT department, which is responsible for formulating and implementing IT policies, establishing IT standards, managing and supervising the IT divisions of its various branches, and providing technological support to these branches. It utilises systems and equipment developed by leading IT providers and places strong emphasis on maintaining and upgrading its IT equipment on a timely basis.

The Group monitors its various trading activities, such as brokerage and margin financing and securities lending, on a real-time basis, and monitor post-settlement transactions, customer accounts and financial risk control indicators to manage its risks. The Group also utilises quantitative benchmarks to calculate and analyse various risk management measures, such as the scale of high-risk businesses, investment concentration, stop-loss thresholds and risk limits. The Group has utilised various IT safety controls, including firewalls, data encryption and intrusion detection, client identity verifications, Secure Sockets Layer (SSL) certificates and mobile number-linked passcodes, to enhance its information safety and ensure smooth operation of its IT system, especially its online trading portal and electronic securities platform. In order to reduce risks from system failures, it has adopted measures to back up data for its key systems on a real-time basis. In addition, it maintains data recovery centres in other cities outside Henan Province in China.

RISK MANAGEMENT

The Group has developed effective risk management policies and systems based on the general policies and strategies made by its Board and the Risk Control Committee thereunder. Its risk management system is designed to help achieve its business goals by optimising its risk profile, establishing an effective risk-warning system, establishing risk mitigation and prevention measures, developing a systematic risk management mechanism, and identifying various risks it faces and limiting them to a tolerable level.

In accordance with the Regulation on the Comprehensive Risk Management of Securities Companies (證券公司全面風險管理規範), together with its operational needs, the Company has established a four-tier risk management structure, consisting of: (i) the Board of Directors and the Board of Supervisors; (ii) the Risk Control Committee, the Audit Committee and the senior management; (iii) the Compliance Management Department, the Risk Management Department, the Legal Affairs Headquarter and the Internal Audit Department; and (iv) frontline risk management staff at various departments, branches and subsidiaries. The Board of Directors is at the highest level of the Group's risk control framework. It is responsible for developing the Group's overall risk control objectives, risk control policies and internal control system. It is also responsible for improving the governance structure and tiered authority delegation system, setting objectives and limits for the Group's risk management work, and delegating executive power to relevant administrative departments. The Board of Supervisors is responsible for monitoring the comprehensive risk management of the Group, with a focus on monitoring whether the Group's business and management activities are complied with the laws and regulations and monitoring the Company's financial matters. It is also responsible for monitoring the risk control performance of the Company's directors, senior management and other responsible persons, safeguarding the Company's assets, and minimising the Group's financial and legal compliance risks in its business operations. The Risk Control Committee, the Audit Committee and the senior management are responsible for preparing the comprehensive annual report on risk control and reviewing risk control strategies and significant risk control solutions. They are also responsible for reviewing the judgment criteria for major decisions, significant risks, major events and key business processes and reviewing the risk evaluation report for major decision-making. In addition, they review the risk control evaluation report submitted by the Risk Management Department and evaluate the risk control organisational structure and the roles and responsibilities of each party. The Compliance Management Department assists the Chief Compliance Officer to formulate compliance policies and compliance rules and procedures. It supports the implementation of compliance policies and procedures, provides compliance advice internally, and monitors whether the Group's business and management activities are complied with the laws and regulations. It also conducts compliance checks and encourages the Group to keep its internal procedures and business processes in line with changes in laws, regulations and standards. In addition, it is responsible for mitigating the compliance risk exposure of the Group and its business operations. The Legal Affairs Headquarter assists the Group to establish its legal management system and legal risk prevention mechanism. It provides legal advice on the Group's major business decisions as well as legal support to the Group's management and other departments. It is also responsible for the Group's contract management, litigation and arbitration management, asset preservation and the selection, management and evaluation of the Group's legal advisers as well as organising legal training within the Group. The Risk Management Department carries out risk control activities in accordance with the risk control objectives and policies set by the Board of Directors and provides recommendations to the Risk Control Committee for improving the Group's risk control policies, objectives, corporate governance structure and internal control. It also formulates risk management rules and procedures for the Group and assists the review of internal risk management rules and procedures, measures, risk management processes and risk control to gradually establish a sound and comprehensive internal risk control mechanism. It identifies, assesses, and monitors various risks in business operations and transactions to establish a comprehensive internal risk management system. In addition, it regularly inspects, monitors and evaluates the implementation of the Group's risk control rules and procedures. The Internal Audit Department is responsible for overall internal audit of the Group, including organising comprehensive internal audits across the Group, monitoring the implementation of the internal control system and compliance procedures, and assisting the investigation of emergencies. Various departments, branches and subsidiaries are responsible for formulating and implementing their own internal control system and risk control measures, and report to the Compliance Management Department and/or the Risk Management Department in a timely manner.

INTELLECTUAL PROPERTY

The Group relies on trademark registration to protect its intellectual property rights. As of 30 June 2021, the Group was in possession of two registered trademarks.

As of the date of this Offering Circular, the Group is not aware of any infringement (i) by the Group of any intellectual property rights owned by third parties, or (ii) by any third parties of any intellectual property rights owned by the Group. Further, as of the date of this Offering Circular, the Group is not involved in any litigation or legal proceedings in relation to any material claims of infringement, either threatened or pending, of any intellectual property rights initiated by or against the Group that had a material and adverse effect on the Group's business.

COMPETITION

The securities company industry in China is highly regulated with numerous regulations applicable in various aspects, including, among others, business licences and qualifications, scope of products and services, business development and risk control. In recent years, competition among securities companies in China has become increasingly intensive. Other securities companies in China with similar service scope, business scale and nationwide operations are the Group's major competitors. Fund management companies, commercial banks, insurance companies and trust companies may also compete with the Group in certain sectors. Such competition involves various factors, including range of products and services, market penetration, pricing, customer service, innovation capability, marketing and sales channels, perceived financial strengths, deal execution capability, brand recognition and employee compensation. The Group has observed an industry development trend in securities companies' transformation from traditional brokerage model into wealth management service model, motivated by the wide application of Internet and mobile devices. As China gradually lifts the restrictions on foreign-owned securities companies, such foreign companies will continue with their broad and in-depth development in China's securities industry, which may further intensify the competition in this industry. For example, a number of world-leading investment banks established their wholly-owned securities firms in China. For details, please see "*Risk Factors — Risks Relating to the Group's Business and the PRC Securities Industry — The PRC securities industry is highly and increasingly competitive.*"

EMPLOYEES

As of 30 June 2021, the Group had 2,418 employees, a breakdown by business segments and functions of which is set forth below:

Position/Role	**Number of staff**	**Per cent.**
Brokerage business personnel	1,658	68.6
Investment banking personnel	294	12.2
Asset management business personnel	28	1.2
Securities investment business personnel	27	1.1
Researcher	25	1.0
Legal compliance, risk control and audit personnel	58	2.4
IT personnel	61	2.5
Financial personnel	45	1.9
Administration and management personnel	217	9.0
Others	5	0.2
Total	**2,418**	**100.0**

A substantial majority of the Group's employees have received bachelor's degree or above education. The following table sets forth a breakdown of employees of the Group by education level as of 30 June 2021:

Education level	Number of staff	Per cent.
Doctorate degree	15	0.6
Master's degree	573	23.7
Bachelor's degree	1,682	69.6
Associate degree or below	148	6.1
Total	**2,418**	**100.0**

The Group has not experienced any strikes or other material labour disturbances that have interfered with its operations to date and the Group believes that its management, labour unions and employees have maintained good relationships with each other.

INSURANCE

As of the date of this Offering Circular, the Group maintains insurance for its material operations in accordance with the customary practice adopted by peer companies in the PRC. The Group maintains insurance coverage for certain of its assets, including IT equipment and motor vehicles.

The Group also contributes social insurance for its employees according to relevant PRC laws. Consistent with customary practice in the PRC, the Group does not maintain any business interruption insurance.

The Group believes that it has maintained insurance coverage it considers necessary for its operations and customary for the industry in which it operates. Moreover, its policies are subject to standard deductibles, exclusions and limitations. Therefore, insurance might not necessarily cover all losses incurred by it and the Group cannot provide any assurance that it will not incur losses or suffer claims beyond the limits of, or outside the relevant coverage of, its insurance policies. For details, please see "*Risk Factors — Risks Relating to the Group's Business and the PRC Securities Industry — The Group's insurance coverage may not be adequate, which could expose it to costs and business disruption.*"

LEGAL PROCEEDINGS

The Group is from time to time involved in disputes and legal proceedings arising in its ordinary course of business. For details, please see "*Risk Factors — Risks Relating to the Group's Business and the PRC Securities Industry — The Group may be subject to litigation and regulatory investigations and proceedings.*" To the best of its knowledge, there are no pending litigations, arbitrations or administrative proceedings against the Group as of the date of this Offering Circular that could have a material adverse effect on its business, financial condition or results of operations.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

As of the date of this Offering Circular, the Company's Board of Directors currently consists of eleven directors, including four independent directors. The Board of Directors is accountable to shareholders meeting. Its rights and responsibilities mainly include convening annual and extraordinary general shareholder meetings and reporting; executing the resolutions of general shareholder meetings; making plans for daily operation, formulating annual financial budget plan and profit distribution plan, proposing any capital change, securities financing; proposing merger, consolidation, dissolution or change of corporate form; managing corporate matters in ordinary course; engaging or discharging senior management of the Company; or other matters provided by the articles of association of the Company. The following table sets forth the Company's directors as of the date of this Offering Circular:

The following table sets forth the Company's directors as of the date of this Offering Circular:

Name	Age	Position
Jian Mingjun (菅明軍)	58	Chairman and Executive Director
Li Xingjia (李興佳)	57	Non-Executive Director
Zhang Qiuyun (張秋雲)	50	Non-Executive Director
Tian Shengchun (田聖春)	46	Non-Executive Director
Zhang Xiaoqi (張笑齊)	36	Non-Executive Director
Lu Benson Cheng (陸正心)	39	Non-Executive Director
Tang Jin (唐進)	55	Non-Executive Director
Zhang Dongming (張東明)	68	Independent Non-Executive Director
Chen Zhiyong (陳志勇)	63	Independent Non-Executive Director
Tsang Sung (曾崧)	49	Independent Non-Executive Director
He Jun (賀俊)	45	Independent Non-Executive Director

Mr. Jian Mingjun (菅明軍) was born in 1963. He has been the chairman of the board of directors and executive director of the Company since August 2012. Mr. Jian also serves as an alternate member of Henan Provincial Committee of the Chinese Communist Party and a member of the Standing Committee of the Henan Provincial People's Congress. He previously served as an officer of the Comprehensive Planning Department of the Ministry of Finance (財政部綜合計劃司), a deputy director of the Henan Provincial Department of Finance Office (河南省財政廳辦公室), a standing vice president of ASIA (Group) Accounting Firm (亞太會計集團), a director of the Henan Provincial Department of Finance Office, and the chairman of the Board of Supervisors for State-owned Enterprises supervised by Henan Provincial Government (河南省政府省管國有企業監事會). Mr. Jian currently also serves as a director of the Securities Association of China and the chairman of Henan Securities, Futures and Funds Association (河南省證券期貨基金業協會). From October 2008 to August 2012, he served as the president of the Company. From November 2014 to the present, he has served as the secretary of the party committee of the Company.

Mr. Jian is a senior accountant and an expert receiving Special Government Allowances from the State Council and is accredited as a Henan Province Model Labour (河南省勞動模範). Mr. Jian obtained his bachelor's degree in finance from Zhongnan University of Economics and Law in July 1985 and his doctorate degree in economics from the Institute of Fiscal Sciences of the Ministry of Finance (財政部財政科學研究所) in July 2000.

Mr. Li Xingjia (李興佳) was born in 1964. He is currently a non-executive director of the Company and the director and deputy general manager of Henan Investment Group. He previously served as an officer, chief officer and deputy division head of the Planning Economy Commission, the Planning Commission, and the Development and Reform Commission of the Henan Province. Mr. Li also worked as a chief economist and deputy general manager of Henan Construction Investment Corporation (河南省建設投資總公司) and concurrently the chairman of Yuneng Holding Co., Ltd. (豫能控股股份有限公司), technical director and deputy general manager of Asset Management Division I of Henan Investment Group. Mr. Li obtained a bachelor's degree in engineering from Harbin University of Civil Engineering and Architecture in July 1984 and a master's degree in engineering from Jinan University in July 2011.

Ms. Zhang Qiuyun (張秋雲) was born in 1972. Ms. Zhang is currently a non-executive director of the Company. She worked as a teacher of Kaifeng First Middle School, deputy researcher and deputy director of finance division of Henan Provincial Development and Reform Commission, the branch party secretary of Henan Macroeconomic Research Institute, executive deputy director of the Management Committee of China (Henan) Free Trade Zone Zhengzhou Area. Since June 2019, Ms. Zhang has been the director of the financial management department of Henan Provincial Investment Company (河南投資集團有限公司). Ms. Zhang was the supervisor of the Company from June 2020 to October 2021. Ms. Zhang obtained a master's degree in economics from School of Economics of Henan University in June 2001 and a doctorate degree in economics from Fudan University in June 2004.

Mr. Tian Shengchun (田聖春) was born in 1975. He is currently a non-executive director of the Company and the deputy director of the planning and development department of Anyang Iron and Steel Group Co., Ltd. (安陽鋼鐵集團有限責任公司) ("**Angang Group**"). He previously served as an assistant engineer, engineer, officer, and deputy director in the Fourth Steel Rolling Plant of Angang Group, an investment manager of the investment management section of the planning department of Angang Group, director of the foreign investment management office of the strategic investment office of Angang Group, director of the policy research office of the planning and development department and the chief secondary management expert of Angang Group. Mr. Tian has been a non-executive Director of the Company since October 2018. Mr. Tian is a senior engineer. He obtained a bachelor's degree in engineering from Inner Mongolia University of Science and Technology (formerly known as Baotou Institute of Iron and Steel Technology) in July 1998 and obtained a master's degree in engineering from Beijing University of Science and Technology in June 2013.

Mr. Zhang Xiaoqi (張笑齊) was born in 1985. He is currently a non-executive director of the Company, a director and the deputy general manager of Beijing Maoyuan Capital Investment Management Co., Ltd. (北京懋源資本投資管理有限公司). He previously served as an officer of the index division of Shenzhen Securities Information Co., Ltd. (深圳證券資訊有限公司), a subsidiary of SZSE, and a project manager of Beijing Maoyuan Investment Co., Ltd. (北京懋源投資有限公司). Mr. Zhang has served as a non-executive director of the Company since September 2015. Mr. Zhang obtained a bachelor's degree in commerce from the School of Business of Toronto University in June 2008.

Mr. Lu Benson Cheng (陸正心) was born in 1982. He is currently a non-executive director of the Company and the managing director of Zhuhai Rongze Tongyuan Investment Management Partnership (Limited Partnership) (珠海融澤通遠投資管理合夥企業(有限合夥)). He previously served as an analyst at the investment banking department of Morgan Stanley Asian, an executive director of the investment department of Goldman Sachs (Asia) Special Situations Group, the managing director of ICBC International Holdings Co., Ltd. (工銀國際控股有限公司) and the managing director of Tianjin ICBC International Investment Advisory Partnership (Limited Partnership) (天津工銀國際投資顧問合夥企業(有限合夥)). Mr. Lu has served as a non-executive director of the Company since November 2018. Mr. Lu obtained his bachelor's degree in science from University of California, Berkeley in December 2003 and an EMBA degree from Wudaokou School of Finance of Tsinghua University in January 2016.

Mr. Tang Jin (唐進) was born in 1966. He is currently a non-executive director of the Company, the vice president and a party committee member of Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司). He previously served as the chief and deputy director of the secretary section of Jianhu County Party Committee Office in Jiangsu Province, deputy director and director of each of the Research Office and General Office of Jiangsu Provincial Government, and vice president and Party committee member of Jiangsu SOHO Holdings Group Co., Ltd. He was appointed as a non-executive director of the Company in February 2022. He holds a master's degree from Party School of C.P.C. Jiangsu Committee.

Ms. Zhang Dongming (張東明) was born in 1953. She is currently an independent non-executive director of the Company and a retired researcher at the China Academy of Fiscal Sciences (中國財政科學研究院) (formerly known as the Ministry of Finance's Institute of Fiscal Sciences). She has served as a worker of Mudan Jiang Air Force May Seventh Cadre School (牡丹江空軍五七幹校), an officer in the Ministry of Industry and Transportation of Beijing Dongcheng District, head of the graduate department of the Institute of Fiscal Sciences of the Ministry of Finance (財政部財政科學研究所), deputy director and director of the academic affairs department of Fiscal Sciences of the Ministry of Finance, researcher of Foreign Finance Research Center, senior economist, and researcher. Ms. Zhang has served as a non-executive director of the Company since October 2018. Ms. Zhang obtained a bachelor's degree in philosophy from Renmin University of China in January 1982 and a doctorate degree in finance from the Institute of Fiscal Sciences of the Ministry of Finance (財政部財政科學研究所) in July 2000.

Mr. Chen Zhiyong (陳志勇) was born in 1958. He has been an independent non-executive director of the Company since June 2021. Since 1987, he has served as a teacher, a manager in the finance department, deputy head and then the head of the School of Finance and Taxation in Zhongnan University of Economics and Law. Mr. Chen is currently a professor and a doctoral tutor in Zhongnan University of Economics and Law, the chairman of the Finance Committee of the Higher Financial & Economic Branch of China Higher Education Association (中國高等教育學會高等財經教育分會財經學專業委員會), the vice president of the National Association of Colleges and Universities for Teaching and Research of Finance (全國高校財政學教學研究會), a member of the China National Committee for MT Education (全國稅務專業學位研究生教學指導委員會), an executive director of Hubei Finance Research Institute (湖北省財政學會), the vice president of Hubei Budget and Accounting Research Institute (湖北省預算與會計研究會), the vice president of Hubei Taxation Research Institute (湖北省稅務學會), the director of Hubei International Culture Exchange Center (湖北省國際文化交流中心) and an expert receiving Special Government Allowances from the State Council. Mr. Chen obtained a doctorate degree in economics from Zhongnan University of Economics and Law in July 2002 and a master's degree in Zhongnan University of Economics and Law in 1987.

Mr. Tsang Sung (曾崧) was born in 1972. He has been an independent non-executive director of the Company since June 2021. Mr. Tsang has extensive experience in strategic management, corporate operation and human resources management. From October 1996, he served as an assistant to the president in the Asia and Pacific division of American Appraisal and served as the general manager in China of American Appraisal. Mr. Tsang served as the Director of Operation of CampusALL Company Limited (全校網(北京)信息科技有限公司) and the Vice President of The 8th Network Corporation (慧科管理諮詢有限公司). Mr. Tsang joined Esquel Group (溢達集團) in 2002, served as a branch general manager, the chief human resources officer and the global sales managing director and is currently the vice chairman of the board of directors of Esquel China Holdings Limited (溢達中國控股有限公司) and the general manager in human resources in Esquel Group. Mr. Tsang obtained a bachelor's degree in Business Administration from the Chinese University of Hong Kong in June 1994 and a master's degree in Business Administration (International Banking and Finance) from the University of Birmingham in the United Kingdom in September 1996.

Mr. He Jun (賀俊) was born in 1976. He has been an independent non-executive director of the Company since February 2022. He began to work in 2002 and served as an investment strategy analyst in the Research Institute of CSC Financial Co., Ltd. (中信建投證券股份有限公司). He currently serves as a researcher, professor and doctoral supervisor at the Institute of Industrial Economics of Chinese Academy of Social Sciences, a director of the Research Center of Small and Medium Enterprises of Chinese Academy of Social Sciences, and a member of the National Spectrum Resources Committee. Mr. He holds a doctoral degree in industrial economics from the Graduate School of Chinese Academy of Social Sciences, and was included in the National Hundred, Thousand and Ten-Thousand Talent Project and selected as one of the National Young and Middle-aged Experts with Outstanding Contributions. He is an expert receiving Special Government Allowances from the State Council.

SUPERVISORS

As of the date of this Offering Circular, the Company's Board of Supervisors consists of nine members. The Company's board of supervisors is primarily responsible for monitoring the Company's financial matters and overseeing the actions of the Board of Directors and the senior management of the Company. The rights and responsibilities of the Company's Board of Supervisors mainly include: reviewing the financial condition of the Company, proposing discharge or bringing actions against directors and senior management with cause; supervising risk management of the Company; supervising directors and senior management; convening extraordinary general shareholder meeting; supervising on profit distribution plans and other matters provided by the articles of association of the Company.

The following table sets forth the Company's supervisors as of the date of this Offering Circular:

Name	Age	Position
Lu Zhili (魯智禮)	55	Chairman of the Board of Supervisors
Wei Zhihao (魏志浩)	41	Shareholder representative supervisor
Zhang Xiansheng (張憲勝)	56	Shareholder representative supervisor
Zhang Bo (張博)	44	Shareholder representative supervisor
Xiang Siying (項思英)	58	Independent supervisor
Xia Xiaoning (夏曉寧)	61	Independent supervisor
Ba Guanhua (巴冠華)	47	Employee representative supervisor
Xu Changyu (許昌玉)	43	Employee representative supervisor
Xiao Yichen (肖怡忱)	37	Employee representative supervisor

Mr. Lu Zhili (魯智禮) was born in 1966. Mr. Lu is a senior economist. He successively served as the manager of the issuance department of Henan Securities Co., Ltd. (河南證券有限責任公司), an assistant to the general manager and a director of the research institute of Henan Securities Co., Ltd. From November 2002 to March 2013, he served as the vice president of the Company. From March 2013 to September 2015, he served as the executive vice president of the Company. Since September 2015, he has been the chairman of the Company's board of supervisors. Mr. Lu holds a master's degree in Economics.

Mr. Wei Zhihao (魏志浩) was born in 1980. Mr. Wei is a senior auditor. He previously worked as a deputy section chief and a section chief in information center of Henan Provincial Audit Office (河南省審計廳信息中心), and a deputy director of the computer audit center of Henan Provincial Audit Office. From September 2019 to November 2020, Mr. Wei served as the deputy director of the audit department of Henan Investment Group Co., Ltd. (河南投資集團有限公司). Since November 2021, he has been a supervisor of the Company. Mr. Wei holds a master's degree in engineering.

Mr. Zhang Xiansheng (張憲勝) was born in 1965 and he has been a shareholder representative supervisor of the Company since May 2018 and a supervisor of Anyang Iron and Steel Co., Ltd. (安陽鋼鐵股份有限公司) (listed on the Shanghai Stock Exchange, stock code: 600569) since

November 2015. Mr. Zhang previously served as an officer of the finance department of the Angang Coking Plant (安鋼焦化廠) from August 1983 to April 1990, officer, deputy section chief, section chief, assistant to the director and deputy director of the Finance Division of Anyang Iron and Steel Group Co., Ltd. from April 1990 to April 2006, secretary of the board of directors, chief financial officer and chief of the finance department of Anyang Iron and Steel Co., Ltd. from April 2006 to July 2015, director of the audit department of Anyang Iron and Steel Group Co., Ltd. from July 2015 to December 2016, and director of the audit and legal affairs department of the Anyang Iron and Steel Group Co., Ltd. from December 2016 to November 2017. He has also served as the director of the finance department of the Angang Group from November 2017. Mr. Zhang graduated from Henan Provincial Party School with a master's degree. He is a senior accountant and a certified public accountant in the PRC.

Mr. Zhang Bo (張博) was born in 1977 and he has been a shareholder representative supervisor since November 2021. Mr. Zhang previously worked in Anyang Fangzheng Certified Public Accountants Office Co., Ltd. (安陽方正會計事務所) as a project manager and certified public valuer, and he also worked in National Security Comprehensive Coordination Section of Anyang Municipal Office (安陽市委辦公室國家安全綜合協調調科) as a section chief. Since July 2020, Mr. Zhang serves as a member of the party committee and deputy general manager of Anyang Economics Development Group Co., Ltd. (安陽經濟開發集團有限公司). Mr. Zhang is a senior accountant.

Ms. Xiang Siying (項思英) was born in 1963 and she has been an independent supervisor of the Company since September 2015. Ms. Xiang previously served as an officer in the Foreign Economic Affairs Office of the Ministry of Agriculture (中國農業部外經工作辦公室) and the Rural Management and Administration Station of the Ministry of Agriculture (中國農業部農村經營管理總站) from September 1988 to July 1991, investment analyst at the China representative office of International Finance Corporation (國際金融公司中國代表處) from May 1993 to August 1996, investment officer in the East Asia and Pacific bureau and the global manufacturing and consumer Services bureau in Washington, D.C. of International Finance Corporation from August 1996 to March 2004, executive general manager of the direct investment department and investment banking department at China International Capital Corporation (中國國際金融有限公司) from March 2004 to June 2010, executive director of CDH Investment Fund Management Company (鼎輝投資基金管理公司) from June 2010 to March 2016 and consultant of CDH Investment Fund Management Company from March 2016 to March 2018. She has also served as an independent director of China Ocean Industry Group Limited (中海重工集團公司) (listed on the Hong Kong Stock Exchange, stock code: 00651) since May 2008 and independent director of Huili Resources (Group) Limited (滙力資源(集團)有限公司) (listed on the Hong Kong Stock Exchange, stock code: 01303) since September 2017. Ms. Xiang holds a master's degree in economics and also an MBA degree.

Mr. Xia Xiaoning (夏曉寧) was born in 1960 and he has been an independent supervisor of the Company since May 2016. Mr. Xia has served as an investment analyst of Asian Development Bank (亞洲開發銀行) from 1989 to 1995. He served as a senior partner and managing director at

AIF Capital Limited (殷庫資本有限公司) from April 1995 to September 2008, chief executive officer of CITP Advisors (Hong Kong) Limited (中銀國際基建基金管理有限公司) from December 2008 to September 2012, senior consultant of Vision Finance Group Limited, Ltd. (睿智金融集團有限公司) since September 2012 and independent non-executive director of China Medical & HealthCare Group Limited (中國醫療網絡有限公司) (listed on the Hong Kong Stock Exchange, stock code: 0383) since December 2016. Mr. Xia has been an independent supervisor of the Company since May 2016. Mr. Xia holds a bachelor's degree in engineering.

Mr. Ba Guanhua (巴冠華) was born in 1974 and he has been an employee representative supervisor of the Company since November 2021. He previously worked in Zhengzhou Branch of Bank of Communications Co., Ltd. (交通銀行鄭州分行), Henan Securities Co., Ltd., and the preparation committee (籌備組) of the Company. From November 2002 to August 2010, Mr. Ba successively worked in the Secretary of Board division, Brokerage Business Headquarter and Marketing Management Headquarter of the Company. Starting from September 2010 to December 2016, Mr. Ba served in the Company consecutively as an assistant to general manager and deputy general manager of Wealth Management Headquarter, a deputy general manager of Capital Market Headquarter, and a deputy general manager of Investment Business Headquarter. During the period between January 2017 and February 2020, Mr. Ba served as a member of Party Committee of Xinjiang Hami State-owned Asset Investment and Management Company (新疆維吾爾自治區哈密市國有資產投資經營有限公司). From March 2020 to March 2021, Mr. Ba served as deputy director of the inspection work office, head of the first inspection team, and executive deputy director of the risk resolution office of the Company. He became the office manager of the inspection team of the Company. Mr. Ba holds a master's degree in currency banking.

Ms. Xu Changyu (許昌玉) was born in 1979 and she has been an employee representative supervisor of the Company since November 2021. Ms. Xu once served as a teacher in Jiujiang College (九江學院). From July 2007 to March 2016, she was the head of the secondary department of the Company's compliance management headquarter. From March 2016 to March 2017, Ms. Xu served as an assistant to director of the office department and an assistant to director of the research department of the Company. From March 2017 to January 2020, she served as an assistant in the board of Directors' office, a deputy director and a securities representative of the Company. Since January 2020, Ms. Xu was the general manager of the Company's compliance management headquarter. Ms. Xu holds a master's degree in law.

Ms. Xiao Yichen (肖怡忱) was born in 1984 and she has been an employee representative supervisor of the Company since January 2018. Ms. Xiao previously served in the Investment Banking Department and Capital Market Department of the Company from March 2010 to January 2014. Starting from December 2014 to December 2017, she served as the person in charge of the quality control division I of the Investment Banking Comprehensive Management Department. From January to April 2018, Ms. Xiao served as an assistant to the general manager of the Investment Banking Comprehensive Management Department of the Company. Since May 2018, she has been an assistant to general manager of Quality Control Headquarter of the Company. Ms. Xiao holds a master's degree in accounting.

SENIOR MANAGEMENT

The following table sets forth the Company's senior management as of the date of this Offering Circular:

Name	Age	Position
Zhu Jianmin (朱建民)	59	Executive Vice President
Zhu Junhong (朱軍紅)	52	Vice President
Xu Haijun (徐海軍)	51	Vice President
Li Zhaoxin (李昭欣)	52	Chief Accountant
Hua Jinzhong (花金鐘)	49	Vice President
Zhu Qiben (朱啓本).	57	Secretary of the Board of Directors
Liu Hao (劉灝)	49	Chief Investment Officer
Li Feng (李峰).	50	Chief Risk Officer
Shi Hongxing (史紅星)	47	Chief Compliance Officer
Han Junyang (韓軍陽)	51	Chief Information Officer

Mr. Zhu Jianmin (朱建民) was born in 1963 and he has been the executive vice president of the Company since September 2015. Mr. Zhu has served as the deputy manager of issuing department, manager of Funiu Road securities operation branch, director of Beijing office and manager of brokerage management department of Henan Securities Co., Ltd., director of President's office, general manager of Brokerage Business Department and assistant to the president of the Company. From August 2007 to September 2015, he served as the vice president of the Company. He has served as the deputy secretary of the party committee of the Company since September 2018. At present, he is also a member of the securities brokerage professional committee of the China Securities Association (中國證券業協會證券經紀業專業委員會) and vice chairman of the Henan Securities, Futures and Funds Association. Mr. Zhu holds an MBA degree and he is a senior economist.

Ms. Zhu Junhong (朱軍紅) was born in 1969 and she has been the vice president of the Company since August 2012. She previously served as the accounting director, deputy manager, manager and chief accountant of Henan Securities Co., Ltd. She has served as the Company's chief financial officer, assistant to the president and general manager of the Planning Finance Department from November 2002 to September 2009, Company's chief financial officer, chief accountant and general manager of the Planning Finance Department from September 2009 to August 2012, and chief financial officer and chief accountant of the Company from August 2012 to January 2018. Ms. Zhu holds an MBA degree. She is a senior accountant.

Mr. Xu Haijun (徐海軍) was born in 1970 and he has been the vice president of the Company since September 2016. He previously served as the manager of the computer department of the Shanghai business department of Henan Securities Co., Ltd., deputy manager of the sales department of Huayuan Road, manager of the sales department of Bauhinia Hill, assistant to the general manager and manager of the Shenzhen sales department and the assistant to the general manager of Shanghai Hui'erdun Investment Company (上海匯爾頓投資公司). From January 2004 to January 2018, he served as the general manager of the Company's Information Technology Department, the general manager of the Compliance Management Department, the chief compliance officer and the secretary of the Board of Directors. Mr. Xu holds a master's degree.

Mr. Li Zhaoxin (李昭欣) was born in 1969 and he has been the chief accountant of the Company since January 2018. From July 1991 to October 2004, he worked in the financial work of Henan Provincial Labour Reform Bureau and Henan Provincial Prison Administration. From October 2004 to November 2017, he worked in Henan Provincial State-owned Assets Supervision and Administration Commission. He successively served as deputy director of property management department, investigator of planning and development department and director of comprehensive department (research room). Mr. Li has also served as a member of the Party Committee of the Company since November 2017. At present, he is a member of the financial accounting professional committee of China Securities Association (中國證券業協會財務會計專業委員會) and a part-time guest lecturer in the School of Accounting in the Central University of Finance and Economics. Mr. Li holds a master's degree in accounting, and he is a senior accountant, certified public accountant, certified tax accountant and economist.

Mr. Hua Jinzhong (花金鐘) was born in 1972 and he currently is the vice president of the Company. He previously worked in Henan Laine (Group) Co., Ltd. (河南萊恩(集團)股份有限公司) from November 1993 to April 2001, Zhengzhou Office of China Great Wall Asset Management Company (中國長城資產管理公司) from April 2001 to October 2004, the Henan Supervision Bureau of the CSRC (中國證監會河南監管局) from October 2004 to March 2018. He successively served as an officer and deputy director of the supervision department of the listed company, deputy director of the office, deputy director of the new business supervision department, director of the company inspection department, director of the office (party affairs office). He served as the chief compliance officer of the Company from April 2018 to November 2021 and has been the vice president of the Company since February 2019. Mr. Hua holds a master's degree in management, and he is a senior accountant, certified public accountant, certified asset appraiser and certified tax agent.

Mr. Zhu Qiben (朱啓本) was born in 1964 and he has been the secretary of the Board of Directors since January 2018. He previously served as a project manager and assistant director of the office of the investment banking department of Henan Securities Co., Ltd., as well as the deputy general manager, general manager, assistant to the president, general manager of the human resources management department and director of the supervision office and person in charge of audit from November 2002 to December 2015. From December 2015 to January 2018, he served as the chief risk officer of the Company. Mr. Zhu holds a master's degree in economics.

Mr. Liu Hao (劉灝) was born in 1972 and he has been the chief investment officer of the Company since May 2020. He has been in charge of the bond trading and fixed income investment segments of Group since June 2018. Mr. Liu previously worked in Shenzhen Zhonghua Certified Public Accountants (深圳中華會計師事務所), Everbright Securities Limited (光大證券有限責任公司) and Huatai United Securities Co., Ltd. (華泰聯合證券有限公司). He also worked in Minsheng

Securities Co., Ltd. (民生證券股份有限公司) as the head of investment banking, president of the fixed income division and vice-president of the executive committee. Mr. Liu holds an MBA degree, and he is a certified public accountant.

Mr. Li Feng (李峰) was born in 1971 and he has been the chief risk officer of the Company since 2019. He used to work in Henan Securities Co., Ltd. successively as deputy general manager and general manager of Sanmenxia sales department since July 1996. From 2002 to 2015, he served as general manager of Sanmenxia sales department of the Company, general manager of Xinxiang sales department and Shanghai sales department, general manager of the Brokerage Business Department, general manager of the Innovation Business Department and assistant to the president. He has served as president of the Central China Equity Exchange from 2015 to 2017 and the assistant to the president of the Company from 2017 to 2019. Mr. Li holds a master's degree in engineering and also an MBA degree.

Mr. Shi Hongxing (史紅星) was born in 1974 and has been the chief compliance officer of the Company since 2021. He previously worked in Henan Grease Co., Ltd. (河南省油脂公司) and Securities and Futures Association of Henan Province (河南省期貨業協會). From October 2004 to August 2016, Mr. Shi worked in Henan Supervisory Bureau of the CSRC (中國證監會河南監管局), consecutively as an administrative assistant IV, deputy chief officer and chief officer of Futures Regulatory Division, and deputy director of Institutional Regulatory Division. From August 2016 to January 2020, he served as Vice President and President of Central China Equity Exchange. From January 2020 to November 2021, Mr. Shi served as the general manager of the Zhengzhou Branch of the Company. Mr. Shi holds an MBA degree.

Mr. Han Junyang (韓軍陽) was born in 1970 and he has been the chief information officer of the Company since 2019. He had worked in Henan Securities Co., Ltd. successively as the manager of the computer division of the Shenzhen sales department, the deputy manager of the administrative sales department and the director of the computer centre department. From 2002 to 2019, Mr. Han served as the deputy general manager of Information Technology Department, general manager of Hangzhou sales department, general manager of Information technology department, general manager of Brokerage Business Department and general manager of Internet Finance Department of the Company. From 2015 to 2019, he served as the employee representative supervisor of the Company. Mr. Han holds a master's degree in engineering.

BOARD COMMITTEES

The Company's Board of Directors has established the development strategy committee, risk control committee, remuneration and nomination committee and audit committee.

Development Strategy Committee

The main responsibilities of the Company's development strategy committee include, among others:

- to conduct research and advise on mid-term and long-term development strategy of the Company;
- to conduct research and advise on major investment financing schemes that shall be approved by the Board of Directors in accordance with the articles of association of the Company;
- to conduct research and advise on major capital operations and asset management projects that shall be approved by the Board of Directors in accordance with the articles of association of the Company;
- to conduct research and advise on other major issues affecting the development of the Company; and
- other duties conferred by the Board of Directors.

The development strategy committee consists of 5 directors, including Mr. Jian Mingjun, Mr. Li Xingjia, Ms. Zhang Qiuyun, Mr. Tian Shengchun and Mr. Tang Jin as members.

Risk Control Committee

The main responsibilities of the Company's risk control committee include, among others:

- to review and advise on the overall objectives and basic policies of compliance management and risk management;
- to review and advise on the organisation of compliance management and risk management and its responsibilities;
- to review and advise on the risks of major decisions and solutions to major risks that need to be reviewed by the Board of Directors;
- to review and advise on compliance reports and risk assessment reports that need to be reviewed by the Board of Directors;

- to review risk management and internal control systems of the Company;
- to formulate the Company's corporate governance policies, check their implementation and advise to the Board of Directors;
- to review and supervise the training and continuous professional development of directors and senior management personnel;
- to review and supervise the Company's policies and implementation of legal compliance and regulatory requirements;
- to formulate, review and supervise the professional conduct codes and compliance manuals of employees and directors (if any); and
- other duties provided by the articles of association of the Company.

The risk control committee consists of 3 members, including Mr. Jian Mingjun, Mr. Zhang Xiaoqi and Mr. Chen Zhiyong as members.

Remuneration and Nomination Committee

The main responsibilities of the Company's remuneration and nomination committee include, among others:

- to advise on and formulate selection criteria and procedures for directors and senior management personnel;
- to advise on candidates for independent directors and candidates for key management personnel;
- to review and advise on the qualifications of other candidates for directors and senior management;
- to review and advise on the performance review and remuneration management systems of directors and senior managers, and supervise their implementation;
- to conduct performance review of directors and senior management personnel; and
- other duties provided by the articles of association of the Company.

The remuneration and nomination committee consists of 5 members, including Mr. Chen Zhiyong, Mr. Zhang Xiaoqi, Mr. Lu Benson Cheng, Mr. Tsang Sung and Mr. He Jun as members.

Audit Committee

The main responsibilities of the Company's audit committee include, among others:

- to review and supervise internal audit and audit work of the Company;
- to propose to engage, renew or replace the external audit agencies;
- to review and supervise the independence and objectivity of external audit agencies and the effectiveness of the auditing process in accordance with applicable standards;
- to coordinate the communication between internal audit staffs and external audit agencies; and
- other duties provided by the articles of association of the Company.

The audit committee consists of 3 members, including Mr. Tian Shengchun, Ms. Zhang Dongming, and Mr. Tsang Sung as members.

EXCHANGE RATE INFORMATION

The PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. Effective since 11 August 2015, market makers are required to quote their central parity rates for Renminbi against U.S. dollar to the China Foreign Exchange Trade System daily before the market opens by reference to the closing rate of the PRC inter-bank foreign exchange market on the previous trading day in conjunction with the demand and supply conditions in the foreign exchange markets and exchange rate movements of major currencies. PBOC has further authorised the China Foreign Exchange Trade System to announce its central parity rate for Renminbi against the U.S. dollar through a weighted averaging of the quotes from the market makers after removing the highest quote and the lowest quote. PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity for trading against the Renminbi on the following working day. Following the gradual appreciation against the U.S. dollar in 2017, Renminbi experienced a depreciation in value against the U.S. dollar followed by a fluctuation in 2018 and early 2019. On 5 August 2019, the People's Bank of China set the RMB's daily reference rate above RMB7.0 per U.S. dollar for the first time in over a decade amidst an uncertain trade and global economic climate. In 2021 the RMB has generally strengthened against the U.S. dollar.

The PRC government may adopt further reforms of its exchange rate system, including but not limited to making the Renminbi freely convertible in the future.

The following table sets forth the noon buying rate for U.S. dollars in New York City for cable transfer in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York for the periods indicated:

	Noon Buying Rate[(1)]			
Period	**Period end**	**Average[(2)]**	**High**	**Low**
	(RMB per U.S.$1.00)			
2017	6.5063	6.7350	6.9575	6.4773
2018	6.8755	6.6292	6.9737	6.2649
2019	6.9618	6.9014	7.1786	6.6822
2020	6.5250	6.8878	7.1681	6.5208
2021	6.3726	6.4382	6.5716	6.3435
September	6.4434	6.4563	6.4702	6.4320
October	6.4050	6.4172	6.4485	6.3820
November	6.3640	6.3889	6.4061	6.3640
December	6.3726	6.3693	6.3772	6.3435
2022				
January	6.3610	6.3556	6.3822	6.3206
February	6.3084	6.3436	6.3660	6.3084
March (through 11 March)	6.3389	6.3206	6.3389	6.3116

Notes:

(1) Exchange rates of Renminbi to U.S. dollar represent the noon buying rates as set forth in the H.10 statistical release of the Federal Reserve Board.

(2) Annual averages have been calculated from month-end rates. Monthly averages have been calculated using the average of the daily rates during the relevant month.

PRC REGULATIONS

This section is a high-level overview of the PRC legal system and a summary of the principal PRC laws and regulations relevant to the issue of the Bonds by the Issuer. As this is a summary, it does not contain a detailed analysis of the PRC laws and regulations.

MAJOR LAWS AND REGULATIONS

Employment Contracts

The Labour Contract Law (勞動合同法), promulgated by the Standing Committee of the National People's Congress on 29 June 2007, which became effective on 1 January 2008 and was amended on 28 December 2012 and became effective on 1 July 2013, governs the relationship between employers and employees and provides for specific provisions in relation to the terms and conditions of an employee contract. The Labour Contract Law stipulates that employee contracts shall be in writing and signed. It imposes more stringent requirements on employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees. Pursuant to the Labour Contract Law, employment contracts lawfully concluded prior to the implementation of the Labour Contract Law and continuing as of the date of its implementation shall continue to be performed. Where an employment relationship was established prior to the implementation of the Labour Contract Law, but no written employment contract was concluded, a contract shall be concluded within one month after its implementation.

Employee Funds

Under applicable PRC laws, regulations and rules, including the Social Insurance Law (社會保險法), promulgated by the Standing Committee of the National People's Congress on 28 October 2010, which became effective on 1 July 2011 and as amended on 29 December 2018, the Interim Regulations on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例), promulgated by the State Council on 22 January 1999, which became effective on 22 January 1999 and as amended on 23 March 2019, and Administrative Regulations on the Housing Provident Fund (住房公積金管理條例), promulgated by the State Council on 3 April 1999, which became effective on 3 April 1999 and as amended on 24 March 2002 and 24 March 2019, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance, and to housing provident funds. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and ordered to pay the outstanding amount within a stipulated time period.

REGULATIONS REGARDING OVERSEAS INVESTMENT, FINANCING AND ACQUISITION ACTIVITIES

NDRC Supervision

According to the Administrative Measures for the Outbound Investment by Enterprises (企業境外投資管理辦法) effective from 1 March 2018, sensitive projects to be carried out by investors either directly or through overseas enterprises controlled thereby shall be subject to the approval of the NDRC. Other projects shall be subject to the filing with the competent government body.

Specifically, overseas investment projects carried out by enterprises under central management, or those carried out by local enterprises in which the amount of Chinese investment reaches or exceeds U.S.$300 million shall be subject to the filing with the NDRC. Those carried out by local enterprises in which the amount of Chinese investment is below U.S.$300 million shall be subject to filing with competent investment departments of the provincial government.

Investment projects to be carried out in Hong Kong and/or the Macau Special Administrative Region of the PRC shall be governed by the Administrative Measures for the Outbound Investment by Enterprises.

MOFCOM Supervision

MOFCOM issued the new version of the Overseas Investment Administration Rules (境外投資管理辦法) on 6 September 2014, effective from 6 October 2014 (the "**New Overseas Investment Rules**"). Under the New Overseas Investment Rules, a domestic enterprise intending to carry out any overseas investment shall report to the competent department of commerce for verification or filing and the competent department of commerce shall, with regard to an enterprise so verified or filed, issue thereto an Enterprise Overseas Investment Certificate (企業境外投資證書). If two or more enterprises make joint investment to establish an overseas enterprise, the larger (or largest) shareholder shall be responsible for the verification or filing procedure after obtaining written consent of other investing parties.

An enterprise that intends to invest in a sensitive country or region or a sensitive industry shall apply for the verification by MOFCOM. "Sensitive countries and regions" refer to those countries without a diplomatic relationship with the PRC, or subject to the UNSC sanctions or otherwise under the list of verified countries and regions published by MOFCOM from time to time. "Sensitive industries" refer to those industries involving the products and technologies which are restricted from being exported, or affecting the interests of more than one country (or region). In accordance with the New Overseas Investment Rules, a central enterprise shall apply to MOFCOM for verification and MOFCOM shall, within 20 working days after accepting such application, decide whether or not the verification is granted. For a local enterprise, it shall apply through the provincial department of commerce to MOFCOM for such verification. The provincial department of commerce shall give a preliminary opinion within 15 working days after accepting such local enterprise's application, and submit all application documents to MOFCOM. MOFCOM shall decide whether or not to grant the verification within 15 working days of receipt of such preliminary opinion from the provincial department of commerce. Upon verification, the Enterprise Overseas Investment Certificate shall be issued to the investing enterprise by MOFCOM.

All overseas investments other than those subject to MOFCOM verification as described above are subject to a filing procedure. The investing enterprise shall complete the filing form through the Overseas Investment Management System, an online system maintained by MOFCOM, print out a copy of such filing form for stamping with the company chop, and then submit such stamped filing form together with a copy of its business licence for filing at MOFCOM (for a central enterprise (中央企業)) or the provincial department of commerce (for a local enterprise) respectively.

MOFCOM or the provincial department of commerce shall accept the filing and issue the Enterprise Overseas Investment Certificate within three working days upon receipt of such filing form.

The investing enterprise must carry out the investment within two years of the date of the relevant Enterprise Overseas Investment Certificate, otherwise such certificate will automatically become invalid and a new filing or verification application has to be made by the investing enterprise. In addition, if any item specified in such certificate is changed, the investing enterprise shall make the change of registration at MOFCOM or the provincial department of commerce (as the case may be).

If an overseas invested company carries out a re-investment activity offshore, the investing enterprise shall report such re-investment activity to MOFCOM or the provincial department of commerce (as the case may be) after the legal process of the investment is completed offshore. The investing enterprise shall complete and print out a copy of the Overseas Chinese-invested Enterprise Re-investment Report Form (境外中資企業再投資報告表) from the Overseas Investment Management System and stamp and submit such form to MOFCOM or the provincial department of commerce.

MOFCOM, in conjunction with the other six ministries, promulgated the Interim Measures for the Record-filing (Verification and Approval) and the Reporting of Outbound Investment Projects on 28 January 2018 ("**MOFCOM Regulation 24**"). MOFCOM Regulation 24 mainly focuses on information reporting requirements in relation to overseas investments. MOFCOM and its local departments still mainly follow the New Overseas Investment Rules when handling overseas investment filing/approval procedures for a domestic enterprise intending to carry out any overseas investment. As it has been several years since the introduction of the New Overseas Investment Rules and the regulatory policy, regulatory environment and market conditions of overseas investment have changed considerably in these years, the understanding and the application of the New Overseas Investment Rules in various localities and at different levels in practice may vary.

CSRC Supervision

According to the Measures for the Administration of the Formation, Acquisition and Purchase of Non-Controlling Shares of Overseas Business Institutions by Securities Companies and Securities Investment Fund Management Companies (證券公司和證券投資基金管理公司境外設立、收購、參股經營機構管理辦法) issued by the CSRC in 15 January 2021, the formation or acquisition of overseas subsidiaries or purchase of non-controlling shares of overseas business institutions by securities companies shall report it to the CSRC for recordation, and the formation or acquisition of overseas subsidiaries or purchase of non-controlling shares of overseas business institutions by securities investment fund management companies shall be subject to the approval of the CSRC. The overseas subsidiary may form a professional sub-subsidiary to conduct the financial business and financial-related businesses. The aforesaid sub-subsidiary shall not form any institution, except that it is indeed necessary. The overseas subsidiary that forms or acquires or purchases non-controlling shares of a business institution shall undergo relevant approval or recordation formalities in accordance with the relevant provisions of the state.

Foreign Exchange Administration

According to the Notice of the State Administration of Foreign Exchange on Further Improvements and Adjustments to Foreign Exchange Control Policies for Direct Investments (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) (Hui Fa [2015] No. 13) and its appendix, the banks will review and carry out foreign exchange registration under overseas direct investment directly.

According to the Administrative Measures for Foreign Debt Registration and its operating guidelines, effective as of 13 May 2013, issuers of foreign debts are required to register with the SAFE. Issuers other than banks and financial departments of the government shall go through registration or record-filing procedures with the local branch of the SAFE within 15 business days of entering into a foreign debt agreement. If the receipt and payment of funds related to the foreign debt of such issuer is not handled through a domestic bank, the Issuer shall, in the event of any change in the amount of money withdrawn, principal and interest payable or outstanding debt, go through relevant record-filing procedures with the local branch of the SAFE.

On 12 January 2017, the PBOC issued the Notice of People's Bank of China on Matters Concerning Macro-prudential Management on All-round Cross-border Financing (Yin Fa [2017] No. 9) (中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知), which came into effect on the same date and established a mechanism aimed at regulating cross border financing activities based on the capital or net asset of the borrowing entities using a prudent management principle on a macro nationwide scale.

REMITTANCE OF RENMINBI INTO AND OUTSIDE THE PRC

The Renminbi is not a freely convertible currency. The remittance of Renminbi into and outside the PRC is subject to controls imposed under PRC law.

Current Account Items

Under PRC foreign exchange control regulations, current account item payments include payments for imports and exports of goods and services, payments of income and current transfers into and outside the PRC.

Prior to July 2009, all current account items were required to be settled in foreign currencies. On July 2009, the PRC government promulgated Measures for the Administration of the Pilot Programme of Renminbi Settlement of Cross-Border Trades (跨境貿易人民幣結算試點管理辦法) (the "**Measures**") and its implementation rules, pursuant to which designated and eligible enterprises are allowed to settle their cross-border trade transactions in Renminbi. Since July 2009, subject to the Measures and its implementation rules, the PRC has commenced a scheme pursuant to which Renminbi may be used for settlement of cross-border trade between approved pilot enterprises in five designated cities in the PRC including Shanghai, Guangzhou, Dongguan, Shenzhen and Zhuhai and enterprises in designated offshore jurisdictions including Hong Kong and the Macau Special Administrative Region of the PRC. On 17 June 2010, the PRC government promulgated the Circular on Issues concerning the Expansion of the Scope of the Pilot Programme of Renminbi Settlement of Cross-Border Trades (關於擴大跨境貿易人民幣結算試點有關問題的通知), pursuant to which (i) the list of designated pilot districts was expanded to cover 20 provinces including Beijing, Shanghai, Tianjin, Chongqing, Guangdong, Jiangsu, Zhejiang, Liaoning, Shandong and Sichuan, and (ii) the restriction on designated offshore districts was lifted. Accordingly, any enterprises in the designated pilot districts and offshore enterprises are entitled to use Renminbi to settle any current account items between them (except in the case of payments for exports of goods from the PRC, such Renminbi remittance may only be effected by approved pilot enterprises in 16 provinces within the designated pilot districts in the PRC). On 27 July 2011, the PRC government promulgated the Circular on the Expansion of the Regions of Renminbi Settlement of Cross-Border Trades (關於擴大跨境貿易人民幣結算地區的通知), pursuant to which the list of designated pilot districts was expanded to the whole country. On 3 February 2012, the PRC government promulgated the Circular on the Relevant Issues Pertaining to Administration over Enterprises Engaging in RMB Settlement of Export of Goods (關於出口貨物貿易人民幣結算企業管理有關問題的通知), pursuant to which any enterprises in China which are qualified to engage in import and export trade are allowed to settle their goods export trade in Renminbi. On 23 March 2018, PBOC promulgated Issuance of Notice of People's Bank of China on Business Rules of Cross Border Interbank Payment System (中國人民銀行關於印發《人民幣跨境支付系統業務規則的通知》). The notice regulates cross border interbank payment conducts, clarifies management rules on participants and protects legitimate rights of operating institutions and participants of cross border interbank payment system. On 5 January 2018, the PBOC promulgated Notice of the People's Bank of China on Further Improving Policies of Cross-Border RMB

Business to Promote Trade and Investment Facilitation (Yin Fa [2018] No. 3) (中國人民銀行關於進一步完善人民幣跨境業務政策促進貿易便利化的通知) (銀發[2018]3號). The Yin Fa [2018] No. 3 provides any cross-border transactions that use a foreign exchange currency can use Renminbi for settlement. Domestic enterprises which issue RMB bonds abroad may, upon completing relevant formalities in accordance with macro-prudential regulations on comprehensive cross-border financing, remit the funds raised overseas to the PRC for their use as actually needed. The RMB funds raised by domestic enterprises through issuing overseas shares may be remitted to China for use upon actual demands.

The Measures and the subsequent circulars will be subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying the Measures and impose conditions for settlement of current account items.

Capital Account Items

Under PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of the relevant PRC authorities. Capital account items are generally required to be made in foreign currencies. For instance, foreign investors (including any Hong Kong investors) are generally required to make any capital contribution to foreign invested enterprises in a foreign currency in accordance with the terms set out in the relevant joint venture contracts and/or articles of association as approved by the relevant authorities. Foreign invested enterprises or any other relevant PRC parties are also generally required to make capital account item payments including proceeds from liquidation, transfer of shares, reduction of capital and principal repayment under foreign debt to foreign investors in a foreign currency. That said, the relevant PRC authorities may approve a foreign entity to make a capital contribution or shareholder's loan to a foreign invested enterprise with Renminbi lawfully obtained by it outside the PRC and for the foreign invested enterprise to service interest and principal repayment to its foreign investor outside the PRC in Renminbi on a trial basis. The foreign invested enterprise may also be required to complete registration and verification process with the relevant PRC authorities before such Renminbi remittances.

On 7 April 2011, the SAFE issued the Notice on Relevant Issues regarding Streamlining the Business Operation of Cross-border Renminbi Capital Account Items, which clarifies, among other things, that the borrowing by an onshore entity (including a financial institution) of Renminbi loans from an offshore creditor shall in principle follow the current regulations on borrowing foreign debts and the provision by an onshore entity (including a financial institution) of external guarantee in Renminbi shall in principle follow the current regulations on the provision of external guarantee in foreign currencies.

On 3 June 2011, the PBOC promulgated the Circular on Clarifying Issues concerning Cross-border Renminbi Settlement (中國人民銀行關於明確跨境人民幣業務相關問題的通知) (the "**PBOC Circular**"). The PBOC Circular provides instructions to local PBOC authorities on procedures for the approval of settlement activities for non-financial Renminbi foreign direct investment into the PRC. The PBOC Circular applies to all non-financial Renminbi foreign direct investment into the PRC, and includes investment by way of establishing a new enterprise, acquiring an onshore enterprise, transferring the shares, increasing the registered capital of an existing enterprise, or providing loan facilities in Renminbi. The domestic settlement banks of foreign investors or foreign invested enterprises in the PRC are required to submit written applications to the relevant local PBOC authorities which include, inter alia, requisite approval letters issued by the relevant MOFCOM authorities. The PBOC Circular only applies to cases where the receiving onshore enterprise is not a financial institution. On 13 October 2011, the PBOC issued the PBOC RMB FDI Measures, to commence the PBOC's detailed RMB FDI administration system, which covers almost all aspects of RMB FDI, including capital injection, payment of purchase price in the acquisition of PRC domestic enterprises, repatriation of dividends and distribution, as well as RMB denominated cross-border loans. Under the PBOC RMB FDI Measures, special approval for RMB FDI and shareholder loans from the PBOC which was previously required by the PBOC Circular is no longer necessary.

On 14 June 2012, the PBOC issued the Notice on Clarifying the implementation of Settlement of Cross-Border Renminbi Direct Investment (中國人民銀行關於明確外商直接投資人民幣結算業務操作細則的通知), which provides more detailed rules for cross-border Renminbi direct investments and settlements.

On 5 July 2013, PBOC promulgated the Notice on Simplifying the Procedures of Cross-border Renminbi Business and Improving Relevant Policies (the "**PBOC Notice**"), which simplifies the operating procedures on current account cross-border Renminbi settlement and further publishes policies with respect to issuance of offshore Renminbi bonds by onshore non-financial institutions. The PBOC Notice intends to improve the efficiency of cross-border Renminbi settlement and facilitate the use of cross-border Renminbi settlement by banks and enterprises.

On 3 December 2013, MOFCOM promulgated the MOFCOM RMB FDI Circular, which has become effective on 1 January 2014, to further facilitate FDI by simplifying and streamlining the applicable regulatory framework. Pursuant to the MOFCOM RMB FDI Circular, the competent counterpart of MOFCOM will grant written approval for each FDI and specify "Renminbi Foreign Direct Investment" and the amount of capital contribution in the approval. Unlike previous MOFCOM regulations on FDI, the MOFCOM RMB FDI Circular removes the approval requirement for changes in the relevant joint venture contract or the articles of association of the joint venture company where foreign investors change the currency of its existing capital contribution from a foreign currency to Renminbi. In addition, the MOFCOM RMB FDI Circular also clearly prohibits the FDI funds from being used for any direct or indirect investment in securities and financial derivatives (except for strategic investment in the PRC listed companies) or for entrustment loans in the PRC. On 9 June 2016, the SAFE issued the Notice on Reforming and Streamlining the Policies of Foreign Exchange Settlement Management of Capital Account Items (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) (the "**SAFE Notice**"), which clarifies, among other things, as for foreign exchange income of capital account which implement the "at-will" foreign exchange settlement according to relevant regulations, domestic enterprises can complete the settlement in banks according to the actual operation.

As the MOFCOM RMB FDI Circular, the PBOC RMB FDI Measures and SAFE Notice are relatively new rules, they will be subject to interpretation and application by the relevant PRC authorities.

Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

REGULATIONS REGARDING THE GROUP'S INDUSTRY AND BUSINESS

General Regulations Regarding the Securities Companies

The Securities Law, as amended for the second time at the 15th Session of the Standing Committee of the Thirteenth National People's Congress on 28 December 2019, was issued came into force on 1 March 2020. According to the Securities Law, the formation of a securities company shall meet some conditions and be subject to the approval of the securities regulatory authority of the State Council. A securities company may provide some or all of the following securities services after obtaining the securities business permit with the approval of the securities regulatory authority of the State Council:

- securities brokerage;
- securities investment consulting;
- financial advisory services relating to securities trading and securities investment activities;
- securities underwriting and sponsorship;
- securities margin trading and short selling;
- securities market making transactions;
- proprietary securities trading; and
- other securities services.

Where the governance structure, compliance management or risk control indicators of a securities company fails to comply with the relevant provisions, the securities regulatory authority of the State Council shall order it to take corrective action within a prescribed time limit; if it fails to do so within the prescribed time limit, or its conduct seriously endangers the sound operation of the securities company or damages the lawful rights and interests of its clients, the securities regulatory authority of the State Council may take the following measures against it in light of different circumstances:

- restricting its business activities, ordering it to suspend some business operations and ceasing the approval of any new business;
- restricting its distribution of dividends, restricting the payment of remuneration or provision of welfare to its directors, supervisors and senior executives;
- restricting the transfer of property or setting other rights on its property;
- ordering it to replace its directors, supervisors or senior executives, or restricting their rights;
- revoking the relevant business permit;
- determining the liable director, supervisor or senior executive as unfit;
- ordering the liable shareholder to transfer equity, or restricting its liable shareholder from exercising the shareholders' rights.

Securities Brokerage Business

According to the Regulations on Supervision and Management of Securities Companies and the Provisions on Strengthening the Management of the Securities Brokerage Business (《關於加强證券經紀業務管理的規定》) which came into effect from 1 May 2010, the following conditions shall be met for a securities companies to engage in securities brokerage business: it shall establish sound management system for securities brokerage business, and implement centralised and standardised management for the securities brokerage business in order to prevent conflict of interests between the firm and its clients, and earnestly perform its anti-money laundering obligations to prevent any actions which would damage the legal rights of its clients; it shall objectively state its business qualification, service responsibility and scope etc.; it shall not provide false or misleading information; it shall not carry out its business by means of unfair competition; and it shall not induce any investors without investment intention or risk tolerance ability to participate in securities trading activities; it shall establish sound client management system and client service system for securities brokerage business, strengthen investor education and protect clients' legal rights and interests; it shall establish sound staff management system and rational performance appraisal system for securities brokerage business to regulate staff's behaviours; it shall establish sound management system for its securities business units to ensure a regulated, stable and safe operation of its securities business units; it shall establish and manage comprehensive information systems, with functions such as client account management, client deposits management, proxy trading, proxy clearing and settlement, securities depository and transaction risk monitoring, and various business data shall be stored centrally; if an employee or a practitioner at a securities company violates laws, administrative regulations, provisions stipulated by the regulatory agencies and other administrative departments, self-regulatory rules or regulations stipulated by securities companies for securities brokerage business, the securities company shall hold the employee or practitioner accountable. If a securities company or a securities business unit violates the above stipulations, the CSRC and its branches will take measures such as issuance of rectification order, regulatory interview, issuance of caution letter, temporarily suspension of handling for administrative licence-related documents, punishment of related personnel, suspension of approval for new businesses, limiting business activities and other regulatory measures, as the case may be. Any violation of laws and regulations will be punished by laws. If a crime is committed, the securities company or the unit will be transferred to the proper judicial organisation for prosecution.

A securities company that engages in securities brokerage business should examine whether the client accounts contain sufficient funds and securities. If the customer's capital account contains insufficient funds, it shall not accept a purchase order; if the customer's securities account contains insufficient securities, it shall not accept a sell order. For a securities company that engages in securities brokerage business, the trading settlement funds of its clients shall be deposited in a designated commercial bank and managed by a separate account opened in the name of each customer.

Securities companies shall not accept from clients absolute discretionary orders to make decisions on securities trading, select the types of securities or decide on the trading volume or trading price.

Securities Investment Consulting Business

According to the Provisional Measures on Administration of Investment Consulting on Securities and Futures (《證券、期貨投資諮詢管理暫行辦法》) which came into effect on 1 April 1998, a firm engaging in the securities investment consulting business shall obtain a business licence from the CSRC. Business practitioners of securities investment consulting must obtain the securities investment consulting qualifications and join a qualified securities investment consulting institution with business qualification before providing securities investment consulting services. A company engaging in securities and futures investment consulting business needs to satisfy the following requirements: it shall have more than five professionals with qualifications for securities or futures investment consultancy. A firm engaging in both securities and futures investment consultancy shall have more than 10 professionals with relevant qualifications. At least one member of its senior management member shall obtain the relevant qualification for securities or futures investment consultancy business; its registered capital shall not be less than RMB1.0 million; it shall have permanent business premises and such communication and other information transmission facilities as appropriate to its business; it shall have articles of association; It shall have effective internal management system; and it shall satisfy other requirements as required by the CSRC.

According to the Interim Provisions on the Securities Investment Advisory Business (《證券投資顧問業務暫行規定》) which came into effect on 1 January 2011 and was last amended and implemented on 30 October 2020, securities investment advisory business is a basic form of securities investment consulting business. Securities companies, securities investment consultancy agencies and their staff shall provide securities investment advisory services in good faith with earnest and prudence. When providing securities investment advisory service, a securities company and its investment advisory advisers shall be loyal to clients' interests and shall not jeopardise clients' interests in favour of the company and its related parties, jeopardise clients' interests in favour of the securities investment advisers and their stakeholders, or jeopardise certain clients' interests in favour of some specific clients.

According to the Interim Provisions on the Release of Securities Research Reports (發佈證券研究報告暫行規定) effective from 1 January 2011 and was amended and implemented on 20 March 2020, the release of securities research reports is a basic form of securities investment consulting business. The Provisions stipulate that the publishing of securities research reports by securities companies and securities investment advisory agencies shall abide by laws, administrative regulations and other relevant requirements, follow the principles of independence, objectiveness, fairness and prudence, effectively prevent conflicts of interest, and treat objects under issuance in a fair manner. They shall also be prohibited from disseminating false, untrue and misleading information, and from engaging in or participating in insider trading or securities market manipulation.

Futures Business

The Administrative Measures for Futures Companies (《期貨公司監督管理辦法》) which came into effect on 7 December 2017 and was amended and implemented on 4 June 2019 and the Administrative Regulations on Futures Trading (《期貨交易管理條例》) which came into effect on 1 March 2017, provide that futures companies carry out operations under the licensing system. The CSRC will issue licences according to the types of commodity futures and financial futures businesses. Apart from applying to operate domestic futures brokerage business, futures companies may also apply for the operations of overseas futures brokerage, futures investment consulting and other futures business as specified by the CSRC, so as to obtain business qualification. Futures trading shall strictly execute the margin system. Futures companies shall not engage, directly or under any pretext, in proprietary futures business. A futures company accepts clients' entrust to conduct brokerage business, conducts futures trading in its own name on behalf of clients, and the outcome of transactions shall be borne by the clients.

According to the Interim Measures for Futures Investment Consultancy Business of Futures Companies (《期貨公司期貨投資諮詢業務試行辦法》) which came into effect on 1 May 2011, to engage in futures investment consultancy business, a futures company shall obtain from the CSRC the approval and qualification of futures investment consultancy business. Staff in a futures company engaging in futures investment consultancy business shall obtain the practice qualification for futures investment consultancy business.

According to the Guidelines for Business Pilot Programs by the Risk Management Companies of Futures Companies (《期貨公司風險管理公司業務試點指引》) which came into effect on 15 February 2019, futures companies can prudentially establish subsidiaries to conduct business pilot programs with a focus on risk management services on the basis of adequately assessing its business advantages, talent reserves, risk control capabilities and other conditions and sufficient. A futures company shall, subject to the satisfaction of relevant requirements, applies to the CFA for the filing of the subsidiary's establishment.

Margin Financing and Securities Lending Business

The Administrative Measures for Margin Financing and Securities Lending Business for Securities Companies (《證券公司融資融券業務管理辦法》) which was amended and came into effect on 1 July 2015 has stipulated that conduct of margin financing and securities lending business by a securities company shall be subject to approval by the CSRC. Securities companies engaging in margin financing and securities lending business shall open accounts in their own name at securities registrars, including special securities lending account, guaranteed securities account for client margin trading, securities settlement account for margin trading and capital settlement account for margin trading. Such securities companies shall also open accounts in their own name at commercial banks, including special capital account for margin financing and guaranteed capital account for client margin trading. Securities companies shall enter into client margin custody agreement with their clients and commercial banks by keeping settlement funds for client transactions under third-party custody. Securities companies may only utilise funds in the special capital account for margin financing to provide financing for clients, and securities companies may only utilise the securities in the special securities account for securities lending to provide securities lending to clients. Securities companies shall not open credit accounts for clients who have not provided the relevant information as required, or have engaged in securities trading for less than six months, or are lack of risk tolerance, or whose daily average balance of securities assets in the last 20 trading days is less than RMB500,000, or have past record of material default, and shall also not open credit accounts for shareholders and connected persons of the Guarantor. The aggregate amount of margin financing and securities lending services provided by a securities company shall not be more than 4 times of its net capital.

According to the Guidelines of the Internal Control of Margin Financing and Securities Lending of Securities Companies (《證券公司融資融券業務內部控制指引》) (amended and effective on 26 October 2011), the Implementation Rules of Shanghai Stock Exchange on Margin Financing and Securities Lending (《上海證券交易所融資融券交易實施細則》) (amended and implemented on 19

August 2019), and the Implementation Rules of the Shenzhen Stock Exchange on Margin Financing and Securities Lending (《深圳證券交易所融資融券交易實施細則》) (amended on 31 March 2021), securities companies engaging in margin financing and securities lending business shall keep clients' assets secured, and strengthen risk control and business inspection. Besides, business procedure and target securities for margin financing and securities lending business are also defined under the above Guidelines and Rules.

Pursuant to the Provisional Measures on the Supervision and Administration of the Refinancing Business (《轉融通業務監督管理試行辦法》) which was amended and came into effect on 30 October 2020, refinancing business refers to operating activities whereby a securities finance company lends out funds or securities which are owned or lawfully raised by it to other securities companies to facilitate their operations of margin financing and securities lending business. The Measures regulates the refinancing business in various aspects, including the business subject, the rules of refinancing business, sources of capital and securities, disposal of equity interest as well as supervision and management.

Securities Underwriting and Sponsorship Business

Pursuant to the Measures for the Administration of the Sponsorship of Securities Offering and Listing (《證券發行上市保薦業務管理辦法》) which was amended and came into effect on 12 June 2020, securities companies shall satisfy the relevant conditions and apply for the sponsoring institution qualification from the CSRC as required under the Measures for the Administration of the Sponsorship of Securities Offering and Listing, so as to engage in securities issuance, listing and sponsorship businesses. Sponsoring institutions shall designate an individual who has obtained sponsor representative qualification to be responsible for sponsorship duties, so as to discharge sponsorship responsibilities. No institution or individual may engage in sponsorship business without authorisation from the CSRC. Issuers shall engage securities companies which have obtained sponsoring institution qualification to perform the sponsorship duties for initial public offering and listing of shares, issuance of new shares or convertible corporate bonds by listing companies, and other matters identified by the CSRC. A securities company applying for the sponsoring institution qualification shall satisfy the relevant conditions, including the conditions of registered capital and net capital, the conditions of corporate governance and internal control, the conditions of staffing and compliance operation etc.

According to the Administrative Measures on Financial Advisory Business in the M&A and Reorganisation of Listed Companies (《上市公司併購重組財務顧問業務管理辦法》) which came into effect on 4 August 2008, securities companies approved by the CSRC to qualify for providing financial advisory business in the merger & acquisition (M&A) and reorganisation of listed companies may engage in the financial advisory business for the M&A and reorganisation of listed companies according to the relevant requirements. The CSRC reviews on the applications submitted by financial advisor applicants for the qualification of financial advisory business in the

M&A and reorganisation of listed companies. Securities companies which are engaged to act as independent financial advisers of listed companies shall maintain their independence and shall not have any interest in the listed companies.

The Opinions of the CSRC on Further Promoting the Reform of New Shares Issuance System (《中國證監會關於進一步推進新股發行體制改革的意見》) which was issued and came into effect on 30 November 2013 require securities service institutions including sponsors and accounting firms etc., shall make an undertaking to the public in the public offering and listing documents: where the documents they have prepared or issued for the initial public offering of the issuers contain false records, misleading statements or material omissions that have caused losses to investors, they will compensate for such losses pursuant to the laws.

According to the Administrative Measures on Corporate Bonds Issuance and Trading (《公司債券發行與交易管理辦法》) which was amended and came into effect on 26 February 2021, the issuance of corporate bonds shall be underwritten by securities companies qualified to undertake underwriting of securities. In respect of issuance of corporate bonds, issuers shall engage bond trustee for bond holders, and such bond trustee may be the underwriter for the issuance or other institutions recognised by the CSRC. Besides, the Regulations on the Management of Enterprise Bonds (《企業債券管理條例》) which was amended and came into effect on 8 January 2011 stipulate that issuance of enterprise bonds by enterprises shall be underwritten by securities business institutions.

According to the Administrative Measures on Securities Issuance and Underwriting (《證券發行與承銷管理辦法》) which was amended and came into effect on 15 June 2018, these measures are applicable to the issuance of shares, depository receipts or convertible corporate bonds in China by issuers, underwriting of securities in China by the securities companies and subscription of securities issued in China by investors. The measures also promulgate detailed provisions in such aspects of pricing, offering of securities, underwriting of securities, information disclosure, regulation and punishment by during participation of the issuers, securities companies and investors during securities issuance. Securities companies shall submit issuance and underwriting plans to the CSRC prior to underwriting.

According to the Guidelines for Internal Control of Investment Banking Business of Securities Companies (《證券公司投資銀行類業務內部控制指引》) (came into effect on 1 July 2018), when a securities company conducts investment banking business, it shall establish and improve its internal control system and mechanism in accordance with relevant regulations to ensure the effective implementation of internal control. This regulation promulgates detailed provisions in such aspects of internal control organisation structure, internal control assurance, key control content at different stages of the project, project management and working papers by the securities companies during their engagement in investment banking business.

According to the Securities Law, where the prospectus, the method for issuance of corporate bonds, the financial accounting report, the listing reports, the annual report, interim report, ad hoc report and other disclosures of the issuer or the listed company contain false records, misleading representation or material omissions that caused losses to investors in the process of securities trading, the issuer or the listed company shall be liable for compensation. The directors, supervisors, senior management of the issuer and the listed company, other intermediate responsible person, and the sponsor and the underwriter(s) shall be jointly liable with the issuer or the listed company, except those who are proved to be without fault.

Private Assets Management Business

A securities company engaging in private assets management business is mainly regulated by the following laws and regulations: Guidance on the Regulation of Asset Management Business of Financial Institutions (《關於規範金融機構資產管理業務的指導意見》) (effective on 27 April 2018), Notice on Further Specifying Certain Matters Concerning the Guidance on Regulating Asset Management Business of Financial Institutions (《關於進一步明確規範金融機構資產管理業務指導意見有關事項的通知》) (effective on 20 July 2018), the Administrative Measures for Private Investment Assets Management Business of Securities and Futures Operators (《證券期貨經營機構私募資產管理業務管理辦法》) (issued and came into effect on 22 October 2018), Regulations on the Operation and Management of Private Asset Management Plans for Securities And Futures Operators (《證券期貨經營機構私募資產管理計劃運作管理規定》) (issued and came into effect on 22 October 2018), and Operating Guidance of the Guidance on the Regulation of Asset Management Business of Financial Institutions Applicable to the Collective Asset Management Scheme Business of Securities Companies (《證券公司大集合資產管理業務適用〈關於規範金融機構資產管理業務的指導意見〉操作指引》) which came into effect on 28 November 2018.

The securities and futures operation institutions (including securities companies, fund management companies, futures companies and subsidiaries legally established by the aforementioned institutions to engage in private asset management business) engaging in private investment assets management business shall satisfy the relevant conditions, including the requirements of net assets and net capital, the requirements of corporate governance structure, the conditions of internal control, senior management qualifications and staffing requirements, etc., and shall be legally authorised by the CSRC. Such asset management scheme shall have a definite and legal investment direction, clear risk return characteristics, and differentiate the asset categories the investment finally goes into, and determine the category of asset management scheme according to the relevant provisions. Where the asset management scheme invests in other asset management products, it shall clearly stipulate that the asset management products invested shall no longer invest in other asset management products other than public funds.

Proprietary Securities Trading Business

According to the Securities Law, the Regulations on Supervision and Administration of Securities Companies and the Guidelines for Proprietary Securities Trading Business of Securities Companies (《證券公司證券自營業務指引》) (issued and came into effect on 11 November 2005), securities companies engaging in proprietary securities trading shall be limited to the trading of lawfully and publicly offered stocks, debentures, warrants, securities investment funds or other securities approved by the securities regulatory authority of the State Council. A securities company that engages in proprietary securities trading business shall register its proprietary securities account under the company's name. A securities company is required to conduct proprietary securities trading business under its name with its own capital or funds legally raised by it. For a securities company engaging in proprietary securities trading business, the risk control indicators of the company, such as the proportion of the total value of proprietary securities to the net capital of the company, the proportion of the value of a single security to the net capital of the company, and the proportion of the quantity held in respect of a single security to the total issued volume of the security, shall comply with the requirements of the securities regulatory authority of the State Council.

TAXATION

The following summary of certain tax provisions under British Virgin Islands and PRC law is based on current law and practice. It does not purport to be comprehensive and does not constitute legal or tax advice. Prospective investors (particularly those subject to specific tax rules, such as banks, dealers, insurance companies and tax-exempt entities) should consult their own tax advisers regarding the tax consequences of an investment in the Bonds.

BRITISH VIRGIN ISLANDS

The Issuer is exempt from all provisions of the Income Tax Ordinance of the British Virgin Islands.

Payments of principal, premium or interest in respect of the Bonds to persons who are not resident in the British Virgin Islands are not subject to British Virgin Islands tax or withholding tax.

Capital gains realised with respect to the Bonds by persons who are not persons resident in the British Virgin Islands are also exempt from all provisions of the Income Tax Ordinance of the British Virgin Islands.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not resident in the British Virgin Islands with respect to the Bonds.

All instruments relating to transactions in respect of the Bonds are exempt from payment of stamp duty in the British Virgin Islands. This assumes that the Issuer do not hold an interest in real estate in the British Virgin Islands.

PRC

Pursuant to the EIT Law and its implementation regulations, enterprises that are established under laws of foreign countries and regions (including Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan) but whose "de facto management bodies" are within the territory of China shall be PRC tax resident enterprises for the purpose of the EIT Law and they shall pay enterprise income tax at the rate of 25 per cent. in respect of their income sourced from both within and outside China. If relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the Issuer's "de facto management body" is within the territory of the PRC, it may be held to be a PRC tax resident enterprise for the purpose of the EIT Law and be subject to enterprise income tax at the rate of 25 per cent. for its income sourced from both within and outside PRC. As of the date of this Offering Circular, the Issuer has not been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law. On that basis, holders of the Bonds will not be subject to withholding tax, income tax or any other taxes or duties (including stamp duty) imposed by any governmental authority in the PRC in respect of the holding of the Bonds or any repayment of principal and payment of interest made thereon.

However, there is no assurance whether the Issuer will be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future. Pursuant to the EIT Law and its implementation regulations, any non-resident enterprise without establishment within the PRC or whose income has no actual connection to its establishment inside the PRC shall pay enterprise income tax at the rate of 10 per cent. on the income sourced inside the PRC, unless a preferential rate is provided by tax treaties or arrangements entered into between the country or region where the non-resident is established and the PRC, and such income tax shall be withheld by sources with the PRC payer acting as the obligatory withholder, who shall withhold the tax amount from each payment or payment due. Accordingly, in the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future or the interest with respect of the Bonds is regarded as income sourced inside the PRC, it shall withhold income tax from the payments of interest in respect of the Bonds for any non-PRC enterprise bondholder. However, despite the potential withholding of PRC tax by the Issuer, it has agreed to pay additional amounts to holders of the Bonds, subject to certain exceptions, so that holders of the Bonds would receive the full amount of the scheduled payment, as further set out in the "*Terms and Conditions of the Bonds*".

According to the double taxation arrangement between the PRC and Hong Kong and relevant PRC tax regulations, residents of Hong Kong will not be subject to PRC tax on any capital gains from a sale or exchange of the Bonds. Other non-PRC bondholders will not be subject to the PRC tax on any capital gains derived from a sale or exchange of Bonds consummated outside Mainland China between non-PRC bondholders, except however, if the Issuer is treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future, any gain realised by the non-PRC bondholders from the transfer of the Bonds may be regarded as being derived from sources within the PRC and accordingly would be subject to up to 10 per cent. of PRC withholding tax.

On 23 March 2016, the MOF and the SAT issued the Circular on Comprehensively Promoting the Pilot Programme of the Collection of Value-Added Tax to Replace Business Tax (關於全面推開營業稅改徵增值稅試點的通知) ("**Circular 36**") which stipulates that the business tax will be completely replaced with VAT from 1 May 2016 onwards. Therefore, income derived from the provision of financial services, which previously incurred business tax, will now be subject to VAT.

Circular 36 has much uncertainty remains as to its application. The following statements regarding Circular 36 may be subject to further changes following clarification from the competent tax authority.

According to Circular 36, the entities and individuals providing the services within the PRC shall be subject to VAT. The services are treated as being provided within the PRC where either the service provider or the service recipient is located in the PRC. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the "loans" refers to the activity of lending capital for another's use and receiving the interest income thereon. It is not clear from the interpretation of Circular 36, if the provision of loans to the Issuer could be consider services provided within the PRC, which thus could be regarded as the provision of financial services that could be subject to VAT. Furthermore, there is no assurance that the Issuer will not be treated as resident enterprises under the EIT Law. PRC tax authorities could take the view that the holders of the Bonds are providing loans within the PRC because the Issuer is treated as PRC tax residents. In which case, the issuance of the Bonds could be regarded as the provision of financial services within the PRC that is subject to VAT.

If the Issuer is treated as PRC tax residents and if PRC tax authorities could take the view that the holders of the Bonds are providing loans within the PRC, or if the interest component of the amount payable by the Guarantor to the Bondholders under the Trust Deed is viewed as interest income arising within the territory of the PRC, the holders of the Bonds shall be subject to VAT at the rate of 6 per cent. when receiving the interest payments under the Bonds. In addition, the holders of the Bonds shall be subject to the local levies at approximately 12 per cent. of the VAT payment and consequently, the combined rate of VAT and local levies would be around 6.72 per cent.

While still subject to the competent tax authority's further clarification or interpretation, when a holder of the Bonds is an entity located outside of the PRC, and such holder resells the Bonds to an individual or entity located outside of the PRC and derives a gain on such sale, neither the service provider nor the service recipient, both being located outside the PRC, are likely to be impacted by Circular 36. Further, when a holder of the Bonds, who is an individual, resells the Bonds, VAT may be exempted pursuant to

Circular 36 if the resale of the Bonds is treated as resale of financial products. However, where an entity is a holder of the Bonds and resells the Bonds, to either an entity or an individual, there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located within the PRC.

No PRC stamp duty will be chargeable upon the issue or transfer (for so long as the register of holders of the Bonds is maintained outside the PRC) of the Bonds.

HONG KONG

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Bonds or in respect of any capital gains arising from the sale of the Bonds.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Bonds may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(i) interest on the Bonds is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;

(ii) interest on the Bonds is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;

(iii) interest on the Bonds is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the "**IRO**")) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(iv) interest on the Bonds is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Bonds will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Bonds will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Bonds will be subject to Hong Kong profits tax where received by or accrued to a person, other than a corporation, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Bonds are acquired and disposed of.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisers to ascertain the applicability of any exemptions to their individual position.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Bond.

SUBSCRIPTION AND SALE

The Issuer and the Guarantor have entered into a subscription agreement dated 16 March 2022 (the "**Subscription Agreement**") with the Joint Lead Managers. Pursuant to the Subscription Agreement and subject to certain conditions contained therein, the Issuer and the Guarantor agreed to sell to the Joint Lead Managers, and the Joint Lead Managers have severally and not jointly agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the aggregate principal amount of the Bonds indicated in the following table:

Joint Lead Managers	Principal Amount of the Bonds to be Subscribed
Central China International Securities Co., Limited	U.S.$10,000,000
CMB International Capital Limited.	U.S.$10,000,000
CCB International Capital Limited.	U.S.$10,000,000
CNCB (Hong Kong) Capital Limited.	U.S.$10,000,000
CMB Wing Lung Bank Limited.	U.S.$10,000,000
China Galaxy International Securities (Hong Kong) Co., Ltd	U.S.$10,000,000
TFI Securities and Futures Limited.	U.S.$10,000,000
China Zheshang Bank Co., Ltd. (Hong Kong Branch)	U.S.$4,000,000
China Industrial Securities International Brokerage Limited.	U.S.$4,000,000
China International Capital Corporation Hong Kong Securities Limited.	U.S.$2,000,000
Shenwan Hongyuan Securities (H.K.) Limited	U.S.$2,000,000
Soochow Securities International Brokerage Limited.	U.S.$2,000,000
ICBC International Securities Limited	U.S.$2,000,000
Donghai International Securities (Hong Kong) Limited	U.S.$2,000,000
Changjiang Securities Brokerage (HK) Limited	U.S.$2,000,000
Guoyuan Capital (Hong Kong) Limited.	U.S.$2,000,000
Haitong International Securities Company Limited	U.S.$2,000,000
Sheng Yuan Securities Limited	U.S.$2,000,000
CMBC Securities Company Limited.	U.S.$2,000,000
ABCI Capital Limited	U.S.$2,000,000
Total	**U.S.$100,000,000**

The Subscription Agreement provides that the Issuer failing whom the Guarantor (as the case may be) jointly and severally will indemnify the Joint Lead Managers against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent, and entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The Joint Lead Managers and certain of their affiliates may have performed certain investment banking and advisory services for the Issuer, the Guarantor and/or relevant affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the Issuer, the Guarantor and/or relevant affiliates in the ordinary course of their business.

In connection with the offering of the Bonds, the Joint Lead Managers and/or their respective affiliate(s) may act as an investor for their own account and may take up Bonds in the offering and in that capacity may retain, purchase or sell for their own account such securities and any securities of the Issuer or the Guarantor and may offer or sell such securities or other investments otherwise than in connection with the offering. Accordingly, references herein to the Bonds being "offered" should be read as including any offering of the Bonds to the Joint Lead Managers and/or their respective affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so. The Joint Lead Managers or their affiliates may purchase the Bonds for their own account or for the accounts of their customers and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Bonds and/or other securities of the Issuer or its subsidiaries or associates at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds).

In connection with the issue of the Bonds, the Stabilising Manager (or any person acting on behalf of the Stabilising Manager) may, to the extent permitted by applicable laws and directives, over-allot and effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail, but in doing so, the Stabilising Manager (or any person acting on behalf of the Stabilising Manager) shall act as principal and not as agent of the Issuer and any loss resulting from over-allotment and stabilisation will be borne, and any profit arising therefrom shall be beneficially retained, by the relevant Stabilising Manager. However, there is no assurance that the Stabilising Manager (or any person acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Bonds and 60 days after the date of the allotment of the Bonds. Any loss or profit sustained as a consequence of any such over-allotment or stabilisation shall be for the account of the Joint Lead Managers.

SELLING RESTRICTIONS

General

Neither the Issuer, the Guarantor, nor the Joint Lead Managers make any representation that any action has been or will be taken in any jurisdiction by the Joint Lead Managers or the Issuer or the Guarantor that would permit a public offering of the Bonds, or possession or distribution of this Offering Circular or any other offering or publicity material relating to the Bonds (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required. Each of the Joint Lead Managers will comply to the best of its knowledge and belief in all material respects with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Bonds or has in its possession or distributes this Offering Circular or any such other material, in all cases at its own expense. Each of the Joint Lead Managers is not authorised to make any representation or use any information in connection with the issue, subscription and sale of the Bonds other than as contained in, or which is consistent with, this Offering Circular or any amendment or supplement to it.

United States

The Bonds and the Guarantee have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each of the Joint Lead Managers severally and not jointly with the other Joint Lead Managers represents and warrants that it has not offered or sold, and agrees that it will not offer or sell, any Bond or Guarantee constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, its affiliates nor any person acting on its or their behalf has engaged or will engage in any directed selling efforts with respect to the Bonds and the Guarantee. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

United Kingdom

Each of the Joint Lead Managers severally and not jointly with the other Joint Lead Managers represented, warranted and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, as amended (the "**FSMA**")) received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving, the United Kingdom.

Hong Kong

Each of the Joint Lead Managers severally and not jointly with the other Joint Lead Managers represented, warranted and agreed that (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Singapore

Each of the Joint Lead Managers severally and not jointly with the other Joint Lead Managers has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each of the Joint Lead Managers severally and not jointly with the other Joint Lead Managers represented and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Shares and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Japan

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each of the Joint Lead Managers has represented and agreed that it has not, directly or indirectly, offered or sold and will not directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

PRC

Each of the Joint Lead Managers severally and not jointly with the other Joint Lead Managers represented, warranted and agreed that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong and the Macau Special Administrative Region of the PRC or Taiwan), except as permitted by the securities laws of the PRC.

British Virgin Islands

Each of the Joint Lead Managers has severally and not jointly with the other Joint Lead Managers represented, warranted and agreed that it has not made and will not make any invitation, directly or indirectly, to any natural person resident or citizen in the British Virgin Islands or to the public in the British Virgin Islands to purchase the Bonds and the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the British Virgin Islands, except as otherwise permitted by the British Virgin Islands laws.

SUMMARY OF CERTAIN DIFFERENCES BETWEEN PRC GAAP AND IFRS

The consolidated financial statement of the Group included in this Offering Circular were prepared and presented in accordance with PRC GAAP. PRC GAAP is substantially in line with IFRS, except for certain modifications between PRC GAAP and IFRS. The following is a general summary of certain differences between PRC GAAP and IFRS on recognition and presentation as applicable to the Group. The Group is responsible for preparing the summary below. Since the summary is not meant to be exhaustive, there is no assurance regarding the completeness of the financial information and related footnote disclosure between PRC GAAP and IFRS and no attempt has been made to quantify such differences. Had any such quantification or reconciliation been undertaken by the Group, other potentially significant accounting and disclosure differences may have required that are not identified below. Additionally, no attempt has been made to identify possible future differences between PRC GAAP and IFRS as a result of prescribed changes in accounting standards. Regulatory bodies that promulgate PRC GAAP and IFRS have significant ongoing projects that could affect future comparisons or events that may occur in the future.

REVERSAL OF AN IMPAIRMENT LOSS

Under PRC GAAP, once an impairment loss is recognised for a long-term asset (including fixed assets, intangible assets and goodwill. etc.), it shall not be reversed in any subsequent period. Under IFRS, an impairment loss recognised in prior periods for an asset other than goodwill could be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

RELATED PARTY DISCLOSURES

According to Chinese Accounting Standards, only state-controlled without other related party relationship companies are not treated as related parties. Under IFRS, state-controlled companies are all treated as related parties.

In making an investment decision, each prospective investor must rely upon its own examination of the Issuer, the Guarantor, the Group the terms of the offering and other disclosure contained herein. Each prospective investor should consult its own professional advisers for an understanding of the differences between PRC GAAP and IFRS and/or between PRC GAAP and other generally accepted accounting principles, and how those differences might affect the financial information contained herein.

The follow-up measurement of fixed assets or intangible assets allows the adoption of cost mode or reappraisal mode, while PRC GAAP only allows the adoption of cost mode.

FIXED ASSETS AND INTANGIBLE ASSETS

Under PRC GAAP, only the cost model is allowed.

Under IFRS, an entity can choose either the cost model or the revaluation model as its accounting policy.

GENERAL INFORMATION

1. **Clearing System**: The Bonds have been accepted for clearance through the facilities of Euroclear and Clearstream under the Common Code number 242003152 and the International Securities Identification Number for the Bonds is XS2420031523.

2. **LEI**: The LEI of the Issuer is 254900MHWXJGPBHN4Z97.

3. **Authorisation**: The Issuer has obtained all necessary consents, approvals and authorisations in connection with the execution, issue and performance of its obligations under the Bonds, the Trust Deed and the Agency Agreement. The issue of the Bonds was authorised by written resolutions of the sole director of the Issuer dated 3 November 2021. The Guarantor has obtained all necessary consents, approvals and authorisations in relation to the issue of the Bonds and the giving and performance of its obligations under the Guarantee, the Trust Deed, the Agency Agreement and the Deed of Guarantee. The giving of the Guarantee was authorised by resolutions of the Board of Directors of the Guarantor dated 15 October 2021.

4. **No Material Adverse Change**: Save as disclosed in this Offering Circular, there has been no material adverse change in the financial or trading position or prospects of the Guarantor and the Group since 30 June 2021. Save as disclosed in this Offering Circular, there has been no material adverse change in the financial or trading position or prospects of the Issuer since its date of incorporation.

5. **Litigation**: None of the Issuer, the Guarantor or any other member of the Group is involved in any litigation or arbitration proceedings that the Issuer or the Guarantor, as the case may be, believes are material in the context of the Bonds, nor is any of the Issuer or the Guarantor aware that any such proceedings are pending or threatened.

6. **Available Documents**: Copies of the Trust Deed, the Agency Agreement and the Deed of Guarantee will be available for inspection by Bondholders during normal business hours (between 9:00 a.m. to 3:00 p.m. Monday to Friday, public holidays excepted) upon prior written request and satisfactory proof of holding and identity at the principal place of business for the time being of the Principal Paying Agent (being at the Issue Date at 6/F. CMB Wing Lung Bank Building, 45 Des Voeux Road Central, Hong Kong). Copies of the Audited Consolidated Financial Statements and the Consolidated Interim Financial Statements will be available for inspection from the Issue Date at the Guarantor's office at Suites 1505-1508, Two Exchange Square, 8 Connaught Place, Central, Hong Kong during normal business hours, so long as any of the Bonds is outstanding.

7. **Financial Statements**: The Audited Consolidated Financial Statements, which are included elsewhere in this Offering Circular, have been audited by ShineWing, the Group's independent auditor for the relevant period. The Consolidated Interim Financial Statements, which are included elsewhere in this Offering Circular, have been reviewed by Da Hua, the Group's independent auditor.

8. **Listing of the Bonds**: Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only and such permission is expected to become effective on or about 23 March 2022.

INDEX TO THE FINANCIAL STATEMENTS

REVIEWED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF THE GROUP AS OF AND FOR THE SIX MONTHS ENDED 30 JUNE 2021

	F-Page
Review Report	F-4
Consolidated Balance Sheet	F-6
Consolidated Income Statement	F-8
Consolidated Cash Flow Statement	F-9
Consolidated Statement of Changes in Equity	F-10
Company Balance Sheet	F-12
Company Income Statement	F-14
Company Cash Flow Statement	F-15
Company Statement of Changes in Equity	F-16
Notes to Financial Statements	F-18

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2020

Auditor's Report	F-164
Consolidated Balance Sheet	F-170
Parent Company's Balance Sheet	F-172
Consolidated Income Statement	F-174
Parent Company's Income Statement	F-176
Consolidated Cash Flow Statement	F-177
Parent Company's Cash Flow Statement	F-179
Consolidated Statement of Changes in Equity	F-181
Parent Company's Statement of Changes in Equity	F-183
Notes to Financial Statements	F-185

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2019

Auditor's Report	F-327
Consolidated Balance Sheet	F-334
Company Balance Sheet	F-336
Consolidated Income Statement	F-338
Company Income Statement	F-339
Consolidated Cash Flow Statement	F-340
Company Cash Flow Statement	F-341
Consolidated Statement of Changes in Equity	F-342
Company Statement of Changes in Equity	F-344
Notes to Financial Statements	F-346

Central China Securities Co., Ltd.

Review Report

DHHZ No. [2021]0010212

Da Hua Certified Public Accountants (Special General Partnership)

Central China Securities Co., Ltd.

Review Report and Financial Statements

(1st January, 2021 to 30th June, 2021)

Content | Page

I.	**Review Report**	1-2
II.	**Reviewed Financial Statements**	
	Consolidated Balance Sheet	1-2
	Consolidated Income Statement	3
	Consolidated Cash Flow Statement	4
	Consolidated Change of Equity Statement	5-6
	Company Balance Sheet	7-8
	Company Income Statement	9
	Company Cash Flow Statement	10
	Company Change of Equity Statement	11-12
	Notes to Financial Statements	1-142

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Review Report

DHHZ No. [2021]0010212

To the Shareholders of Central China Securities Co., Ltd.:

We have reviewed the attached financial statements of Central China Securities Co., Ltd. (hereinafter referred to as the "Company"), including the consolidated and parent company's balance sheet as at 30 June, 2021, the consolidated and the company's income statement, the consolidated and parent company's cash flow statement, the consolidated and the company's statement of changes in shareholders' equity and notes to the financial statements from January to June 2021. The preparation of these financial statements is the responsibility of the management of the Company. Our responsibility is to issue a review report on these financial statements based on the implementation of the review work.

We have carried out the review business in accordance with the provisions of the Review Standards for Chinese Certified Public Accountants No. 2101 - Review of Financial Statements. The standard requires us to plan and implement the review to obtain limited assurance about whether the financial statements are free from material misstatement. The review is mainly limited to asking relevant personnel of the company and implementing analysis procedures for financial data, and the degree of assurance provided is lower than that of audit. We have not conducted an audit and therefore do not express an audit opinion.

According to our review, we have not noticed anything that makes us believe that the financial statements have not been prepared in accordance with the accounting standards for business enterprises and have failed to fairly reflect the financial position, operating results and cash flow of the Company in all material aspects.

Da Hua Certified Public Accountants

(Special General Partnership)

Beijing, China

CICPA:

(Project partner) Ao Dujiya

CICPA:

Li Tiantian

27 August, 2021

Consolidated Balance Sheet

30 June, 2021

Prepared by: Central China Securities Co., Ltd

(Unless otherwise specified, expressed in RMB Yuan)

Assets	Note VI	Closing balance	Opening balance
Assets:			
Cash and bank balances	VI. 1	12,221,996,702.79	10,951,131,021.90
Including: customer's capital deposit		9,066,078,551.04	8,193,682,554.76
Clearing settlement funds	VI. 2	2,516,954,852.02	2,379,100,088.00
Including: customer reserve		2,009,633,455.31	2,287,871,177.95
Margin accounts receivable	VI. 3	7,586,183,242.23	7,400,757,113.38
Derivative financial assets	VI. 4		
Refundable deposits	VI. 5	876,032,065.73	744,878,747.69
Accounts receivable	VI. 6	90,310,635.48	169,323,523.34
Financial assets held under resale agreements	VI. 7	1,630,482,665.54	2,055,964,889.83
Financial investment:			
Financial assets at fair value through profit or loss	VI. 8	23,517,387,318.61	22,592,572,498.77
Financial assets measured at amortised cost	VI. 9	365,681,700.90	456,168,931.89
Financial assets at fair value through other comprehensive income	VI. 10	1,828,566,172.53	2,088,805,149.07
Long-term equity investments	VI. 11	1,120,234,040.42	1,067,276,173.44
Investment properties	VI. 12	16,069,341.93	16,474,089.01
Fixed assets	VI. 13	177,536,253.96	179,004,039.77
Construction in progress	VI. 14	53,332,189.77	52,427,024.00
Right-of-use assets	VI. 15	142,409,608.40	163,033,163.26
Intangible assets	VI. 16	181,447,000.60	188,018,189.26
Deferred income tax assets	VI. 17	560,049,802.86	464,734,648.09
Goodwill	VI. 18	19,739,511.61	19,882,791.61
Other assets	VI. 19	1,368,155,607.75	1,387,323,474.69
Total assets		**54,272,568,713.13**	**52,376,875,557.00**

Legal representative: 菅明军印 Officer in charge of accounting: 朱建民印 Chief accountant: 李昭欣印 Head of department: 郭良勇印

Consolidated Balance Sheet (Continue)

30 June, 2021

Prepared by: Central China Securities Co., Ltd

(Unless otherwise specified, expressed in RMB Yuan)

Liabilities and shareholders' equity	Note VI	Closing balance	Opening balance
Liabilities:			
Short-term loans	VI. 22	323,050,740.81	315,977,554.88
Short-term financing instruments payable	VI. 23	7,862,024,825.54	4,154,657,809.90
Due to banks and other financial institutions	VI. 24	2,504,430,138.93	3,694,418,222.23
Financial liabilities at fair value through profit or loss	VI. 25	1,061,718,305.89	1,356,226,583.04
Derivative financial liabilities	VI. 4	346,155.17	57,980.91
Financial assets sold under repurchase agreements	VI. 26	11,656,081,798.82	12,200,308,194.73
Accounts payable to brokerage clients	VI. 27	11,339,802,645.78	10,555,230,551.25
Employee benefits payable	VI. 28	568,360,869.13	561,932,538.17
Taxes payable	VI. 29	171,360,193.07	131,604,084.55
Accounts payable	VI. 30	170,405,022.00	65,874,572.60
Contract liabilities	VI. 31	43,504,914.44	26,495,681.41
Long-term borrowings	VI. 32	1,001,583.33	1,001,741.67
Bonds payable	VI. 33	3,556,994,197.66	4,610,250,342.02
Lease liabilities	VI. 34	143,540,895.48	157,698,672.45
Deferred income tax liabilities	VI. 17	22,279,698.90	14,241,536.99
Other liabilities	VI. 35	534,434,323.97	344,423,399.69
Total Liabilities		39,959,336,308.92	38,190,399,466.49
Equity:			
Share capital	VI. 36	4,642,884,700.00	4,642,884,700.00
Capital reserve	VI. 37	6,322,819,195.35	6,330,622,817.68
Other comprehensive income	VI. 38	14,430,207.55	12,549,125.88
Surplus reserve	VI. 39	838,358,247.79	838,358,247.79
General risk reserve	VI. 40	1,442,454,585.23	1,441,518,813.40
Retained earnings	VI. 41	251,877,801.90	102,780,913.15
Total equity attributable to owners of the parent company		13,512,824,737.82	13,368,714,617.90
Non-controlling interests		800,407,666.39	817,761,472.61
Total equity		14,313,232,404.21	14,186,476,090.51
Total liabilities and equity		54,272,568,713.13	52,376,875,557.00

Legal representative: 菅明印军 Officer in charge of accounting: 朱建印民 Chief accountant: 李昭印欣 Head of department: 郭良印勇

郭良印勇

Consolidated Income Statement

Jan-June 2021

Prepared by: Central China Securities Co., Ltd.

(Unless otherwise specified, expressed in RMB Yuan)

Item	Note VI	Jan-June 2021	Jan-June 2020
I. Total operating income		2,336,041,148.75	1,249,975,323.25
Net interest income	VI. 42	80,657,575.42	18,374,722.76
Including: interest income		518,460,146.02	439,282,092.15
Interest expenses		437,802,570.60	420,907,369.39
Net fee and commission income	VI. 43	721,448,578.20	513,950,325.00
Including: brokerages business		385,140,671.66	344,065,137.59
Investment banking		266,920,574.17	98,977,331.26
Assets management		17,288,555.89	20,062,491.49
Investment income (or less: losses)	VI. 44	311,515,840.03	363,055,154.49
Including: Investment income from associates and joint ventures		54,397,626.13	34,784,430.24
Gains on changes in fair value (or less: losses)	VI. 45	163,829,668.53	-65,586,204.75
Gains on foreign exchange (or less: losses)		-281,103.30	-2,759,526.70
Other operating income	VI. 46	1,050,096,626.23	414,430,890.62
Gains from assets disposal (or less: losses)	VI. 47	7,895.89	564.81
Other income	VI. 48	8,766,067.75	8,509,397.02
II. Total operating cost		2,030,792,428.20	1,185,589,385.64
Taxes and surcharges	VI. 49	10,750,231.66	9,440,447.39
Business and administrative expenses	VI. 50	845,336,205.01	620,061,508.05
Expected credit losses	VI. 51	146,191,131.36	140,402,125.30
Other assets impairment losses	VI. 52	1,272,342.22	22,934,995.27
Other operating costs	VI. 53	1,027,242,517.95	392,750,309.63
III. Operating profit (or less: losses)		305,248,720.55	64,385,937.61
Add: non-operating income	VI. 54	2,204,667.53	1,136,020.51
Less: non-operating expenses	VI. 55	401,354.04	7,102,510.91
IV. Profit before tax (or less: losses)		307,052,034.04	58,419,447.21
Less: income tax expenses	VI. 56	74,614,019.98	24,735,859.16
V. Net profit (or less: net loss)		232,438,014.06	33,683,588.05
(I) Classified by continuity of operations			
1. Net profit from continuing operations (or less: net losses)		232,438,014.06	33,683,588.05
2. Net profit from discontinued operations (or less: net losses)			
(II) Classified by ownership			
1. Net profit attributable to owners of the parent company (or less: net losses)		228,961,700.48	30,850,805.92
2. Net profit attributable to non-controlling interests (or less: net losses)		3,476,313.58	2,832,782.13
VI. Other comprehensive income after tax		1,881,081.67	4,318,809.85
Items attributable to owners of the parent company		1,881,081.67	4,318,809.85
(I) Not to be reclassified subsequently to profit or loss			
1. Remeasure changes in defined benefit plans			
2. Other comprehensive income that cannot be transferred to profit or loss under the equity method			
3. Changes in the fair value of other equity instrument investments			
4. Changes in fair value of the company's own credit risk			
(II) To be reclassified subsequently to profit or loss		1,881,081.67	4,318,809.85
1.Items attributable to investees under equity method that will be reclassified to profit or loss		-1,259,678.70	-1,593,552.08
2. Gains and losses from changes in the fair value of available-for-sale financial assets			
3. The held-to-maturity investment is reclassified as available-for-sale financial asset gains and losses			
4. Changes in the fair value of financial assets at fair value through other comprehensive income		4,076,925.70	-6,842,882.33
5. The amount of financial assets reclassified and included in other comprehensive income			
6. Credit impairment reserves of financial assets at fair value through other comprehensive income		-456,601.16	6,013,782.49
7. Cash flow hedge provision			
8. Translation differences of foreign currency financial statements		-479,564.17	6,741,461.77
Items attributable to non-controlling interests			
VII. Total comprehensive income		234,319,095.73	38,002,397.90
Items attributable to owners of the parent company		230,842,782.15	35,169,615.77
Items attributable to non-controlling interests		3,476,313.58	2,832,782.13
VIII. Earnings per share (EPS):	VI. 57		
(I) Basic EPS		0.05	0.01
(II) Diluted EPS		0.05	0.01

Legal representative: 菅明军印 Officer in charge of accounting: 朱建民印 Chief accountant: 李昭欣印 Head of department: 郭良勇印

Reviewed Financial Statements Page 3

Consolidated Cash Flow Statement

Jan-June 2021

Prepared by: Central China Securities Co., Ltd.

(Unless otherwise specified, expressed in RMB Yuan)

Item	Note VI	Jan-June 2021	Jan-June 2020
I. Cash flows from operating activities:			
Cash receipt from interests, fee and commissions		1,367,476,766.24	1,208,072,344.86
Net increase in due to banks and other financial institutions			240,000,000.00
Net increase of repurchase business			2,365,737,960.69
Net decrease of resale business		379,682,648.77	630,730,969.51
Cash received from brokerage clients		784,572,094.53	2,023,415,882.52
Other cash received related to operating activities	VI. 58	1,078,773,742.34	539,098,646.10
Subtotal of cash inflows from operating activities		3,610,505,251.88	7,007,055,803.68
Net increase of financial instruments at fair value through profit or loss		733,618,289.36	1,541,121,657.71
Net decrease in due to banks and other financial institutions		1,190,000,000.00	
Net decrease in repurchase business funds		543,881,059.90	
Net increase in margin accounts receivable		177,613,222.40	421,854,635.58
Cash payment to interests, fee charges and commissions		352,218,875.17	316,180,245.75
Cash payments to and on behalf of employees		652,047,581.80	459,907,380.83
Cash payments of taxes		235,541,624.85	138,305,871.98
Other cash payments related to operating activities	VI. 58	1,008,328,566.99	1,063,614,404.95
Subtotal of cash outflows from operating activities		4,893,249,220.47	3,940,984,196.80
Net cash flows from operating activities	VI. 58	-1,282,743,968.59	3,066,071,606.88
II. Cash flows from investing activities:			
Cash received from investment recovery		279,389,011.90	
Cash received from investment income		49,253,297.11	48,414,005.66
Cash received from disposal of fixed assets, intangible assets and other long-term assets		189,323.91	180,061.48
Subtotal of cash inflows from investing activities		328,831,632.92	48,594,067.14
Cash payments to acquire fixed assets, intangible assets and other long-term assets		35,428,240.30	30,492,634.99
Cash payments to acquire investments			53,528,833.25
Subtotal of cash outflows from investing activities		35,428,240.30	84,021,468.24
Net cash flows from investing activities		293,403,392.62	-35,427,401.10
III. Cash flows from financing activities:			
Cash received by absorbing investments			
Cash received from loans		10,000,000.00	413,240,256.00
Cash received from issuance of bonds		7,230,039,000.00	2,865,576,000.00
Subtotal of cash inflows from financing activities		7,240,039,000.00	3,278,816,256.00
Cash repayments of borrowings		4,498,073,000.00	3,395,029,926.34
Cash payments for distribution of dividends or profit or interest expenses		302,135,652.54	265,178,895.70
Including: cash payments of subsidiaries to non-controlling shareholders as distribution of dividends or profit		1,470,000.00	5,434,020.00
Other cash payments related to financing activities	VI. 58	41,716,255.08	59,932,968.39
Subtotal of cash outflows from financing activities		4,841,924,907.62	3,720,141,790.43
Net cash flows from financing activities		2,398,114,092.38	-441,325,534.43
IV. Effect of foreign exchange rate changes on cash and cash equivalents		-281,103.30	-2,759,526.70
V. Net increase/(decrease) in cash and cash equivalents	VI. 58	1,408,492,413.11	2,586,559,144.65
Add: opening balance of cash and cash equivalents		13,312,322,291.24	11,805,475,726.56
VI. Closing balance of cash and cash equivalents		14,720,814,704.35	14,392,034,871.21

Legal representative: 菅明军印 Officer in charge of accounting: 朱建民印 Chief accountant: 李昭欣印 Head of department: 郭良勇印

郭良勇印

Consolidated statement of changes in equity

Jan-June 2021

Prepared by: Central China Securities Co., Ltd.

(Unless otherwise specified, expressed in RMB Yuan)

Item	Jan-June 2021							
	Equity attributable to owners of the parent company						Non-controlling interest	Total equity
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Retained earnings		
I. Balance at the end of prior year	4,642,884,700.00	6,330,622,817.68	12,549,125.88	838,358,247.79	1,441,518,813.40	102,780,913.15	817,761,472.61	14,186,476,090.51
Add: Changes of accounting policies								
Error correction of early stage								
Others								
II. Balance at the beginning of current year	4,642,884,700.00	6,330,622,817.68	12,549,125.88	838,358,247.79	1,441,518,813.40	102,780,913.15	817,761,472.61	14,186,476,090.51
III. Current period increase (or less: decrease)		-7,803,622.33	1,881,081.67		935,771.83	149,096,888.75	-17,353,806.22	126,756,313.70
(I) Total comprehensive income			1,881,081.67			228,961,700.48	3,476,313.58	234,319,095.73
(II) Capital contributed or withdrawn by owners								
1. Capital contributed by owners								
2. Capital contributed by holders of other equity instruments								
3. Amount of share-based payment included in equity								
4. Others								
(III) Profit distribution					935,771.83	-79,864,811.73	-20,830,119.80	-99,759,159.70
1. Appropriation to surplus reserve								
2. Appropriation to general risk reserve					935,771.83	-935,771.83		
3. Cash dividend recognized as distribution						-78,929,039.90	-20,830,119.80	-99,759,159.70
4. Others								
(IV) Internal carry-over within equity								
1. Transfer of capital reserve to capital								
2. Transfer of surplus reserve to capital								
3. Surplus reserve to cover losses								
4. Others								
(V) Others		-7,803,622.33						-7,803,622.33
IV. Balance at the end of current period	4,642,884,700.00	6,322,819,195.35	14,430,207.55	838,358,247.79	1,442,454,585.23	251,877,801.90	800,407,666.39	14,313,232,404.21

Legal representative: 菅军印明

Officer in charge of accounting: 朱民印建

Chief accountant: 李欣印昭

Head of department: 郭勇印良

Consolidated statement of changes in equity

Jan-June 2021

Prepared by: Central China Securities Co., Ltd.

(Unless otherwise specified, expressed in RMB Yuan)

Item	Jan-June 2020							
	Equity attributable to owners of the parent company						Non-controlling interest	Total equity
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Retained earnings		
I. Balance at the end of prior year	3,869,070,700.00	3,487,237,785.96	36,543,591.23	808,084,287.96	1,382,038,921.28	88,232,726.32	826,578,441.02	10,497,786,453.77
Add: Changes of accounting policies								
Error correction of early stage								
Others								
II. Balance at the beginning of current year	3,869,070,700.00	3,487,237,785.96	36,543,591.23	808,084,287.96	1,382,038,921.28	88,232,726.32	826,578,441.02	10,497,786,453.77
III. Current period increase (or less: decrease)			4,318,809.85			30,850,805.92	-2,601,237.87	32,568,377.90
(I) Total comprehensive income			4,318,809.85			30,850,805.92	2,832,782.13	38,002,397.90
(II) Capital contributed or withdrawn by owners								
1. Capital contributed by owners								
2. Capital contributed by holders of other equity instruments								
3. Amount of share-based payment included in equity								
4. Others								
(III) Profit distribution							-5,434,020.00	-5,434,020.00
1. Appropriation to surplus reserve								
2. Appropriation to general risk reserve								
3. Cash dividend recognized as distribution							-5,434,020.00	-5,434,020.00
4. Others								
(IV) Internal carry-over within equity								
1. Transfer of capital reserve to capital								
2. Transfer of surplus reserve to capital								
3. Surplus reserve to cover losses								
4. Others								
(V) Others								
IV. Balance at the end of current period	3,869,070,700.00	3,487,237,785.96	40,862,401.08	808,084,287.96	1,382,038,921.28	119,083,532.24	823,977,203.15	10,530,354,831.67

Legal representative: Officer in charge of accounting: Chief accountant: Head of department:

Company Balance Sheet

30 June, 2021

Prepared by: Central China Securities Co., Ltd.

(Unless otherwise specified, expressed in RMB Yuan)

Assets	Note XIV	Closing balance	Opening balance
Assets:			
Cash and bank balances		10,088,406,525.27	9,353,694,098.48
Including: customer's capital deposit		8,396,853,380.16	7,812,001,585.50
Clearing settlement funds		2,317,670,582.94	2,165,049,237.07
Including: customer reserve		2,009,523,663.70	2,005,804,519.95
Margin accounts receivable		7,457,552,653.50	7,248,897,079.39
Derivative financial assets			
Refundable deposits		416,853,705.79	368,868,430.71
Accounts receivable		36,068,726.67	85,450,845.08
Financial assets held under resale agreements		1,630,482,665.54	2,055,165,080.52
Financial investment:			
Financial assets at fair value through profit or loss		20,105,756,888.90	19,933,278,797.76
Financial assets measured at amortised cost			
Financial assets at fair value through other comprehensive income		1,828,566,172.53	2,088,805,149.07
Long-term equity investments	XIV. 1	5,089,728,953.95	4,126,432,553.95
Investment properties		25,303,062.51	25,858,938.87
Fixed assets		162,008,563.08	164,207,159.80
Construction in progress		53,332,189.77	52,427,024.00
Right-of-use assets		116,454,906.42	133,127,127.62
Intangible assets		175,197,972.54	181,335,531.53
Deferred income tax assets		381,207,945.35	301,081,560.09
Goodwill			
Other assets		504,038,090.29	523,400,315.46
Total assets		50,388,629,605.05	48,807,078,929.40

Legal representative: 菅明印 Officer in charge of accounting: 朱建民印 Chief accountant: 李昭欣印 Head of department: 郭良勇印

Company Balance Sheet (Continue)

30 June, 2021

Prepared by: Central China Securities Co., Ltd.

(Unless otherwise specified, expressed in RMB Yuan)

Liabilities and shareholders' equity	Note XIV	Closing balance	Opening balance
Liabilities:			
Short-term financing instruments payable		7,140,421,763.14	3,425,939,961.92
Due to banks and other financial institutions		2,504,430,138.93	3,694,418,222.23
Financial liabilities at fair value through profit or loss		324,150,598.08	778,986,314.11
Derivative financial liabilities		250,110.00	57,980.91
Financial assets sold under repurchase agreements		11,555,681,798.82	12,002,208,194.73
Accounts payable to brokerage clients		10,193,506,808.46	9,666,752,032.28
Employee benefits payable		538,926,283.01	517,314,154.75
Taxes payable		134,171,687.45	118,777,886.11
Accounts payable		147,540,136.48	60,063,783.40
Contract liabilities		13,429,117.39	10,997,000.07
Bonds payable		3,556,994,197.66	4,610,250,342.02
Lease liabilities		117,603,014.23	129,412,235.14
Deferred income tax liabilities		6,452,534.05	
Other liabilities		226,507,197.77	47,982,898.50
Total Liabilities		36,460,065,385.47	35,063,161,006.17
Equity:			
Share capital		4,642,884,700.00	4,642,884,700.00
Capital reserve		6,606,160,370.84	6,606,160,370.84
Other comprehensive income		2,232,314.87	-1,388,009.67
Surplus reserve		838,358,247.79	838,358,247.79
General risk reserve		1,372,048,328.59	1,371,112,556.76
Retained earnings		466,880,257.49	286,790,057.51
Total equity		13,928,564,219.58	13,743,917,923.23
Total liabilities and equity		50,388,629,605.05	48,807,078,929.40

Legal representative: 菅明军印 Officer in charge of accounting: 朱建民印 Chief accountant: 李昭欣印 Head of department: 郭良勇印

Company Income Statement

Jan-June 2021

Prepared by: Central China Securities Co., Ltd.

(Unless otherwise specified, expressed in RMB Yuan)

Item	Note XIV	Jan-June 2021	Jan-June 2020
I. Total operating income		1,116,912,645.26	803,943,770.73
Net interest income	XIV. 2	62,092,354.14	-10,294,529.92
Including: interest income		466,354,189.22	377,725,652.14
Interest expenses		404,261,835.08	388,020,182.06
Net fee and commission income	XIV. 3	649,504,287.49	466,741,968.38
Including: brokerages business		327,841,755.59	309,079,196.29
Investment banking		263,310,408.94	94,884,683.65
Assets management		13,333,462.06	18,229,098.75
Investment income (or less: losses)	XIV. 4	424,482,409.79	377,948,903.51
Including: Investment income from associates and joint ventures			
Gains on changes in fair value (or less: losses)		-31,922,415.88	-55,982,487.02
Gains on foreign exchange (or less: losses)		-104,484.05	142,304.99
Other operating income		4,243,098.03	17,023,862.59
Gains from assets disposal (or less: losses)			727.95
Other income		8,617,395.74	8,363,020.25
II. Total operating cost		802,653,375.76	678,059,333.90
Taxes and surcharges		8,478,948.37	8,427,361.48
Business and administrative expenses	XIV. 5	741,704,363.30	542,662,510.80
Expected credit losses		51,812,132.15	126,375,297.82
Other assets impairment losses			
Other operating costs		657,931.94	594,163.80
III. Operating profit (or less: losses)		314,259,269.50	125,884,436.83
Add: non-operating income		1,979,507.13	170,130.05
Less: non-operating expenses		298,019.78	3,586,454.15
IV. Profit before tax (or less: losses)		315,940,756.85	122,468,112.73
Less: income tax expenses		55,985,745.14	8,800,009.25
V. Net profit (or less: net loss)		259,955,011.71	113,668,103.48
Net profit from continuing operations (or less: net losses)		259,955,011.71	113,668,103.48
Net profit from discontinued operations (or less: net losses)			
VI. Other comprehensive income after tax		3,620,324.54	-829,099.84
(I) Not to be reclassified subsequently to profit or loss			
1. Remeasure changes in defined benefit plans			
2. Other comprehensive income that cannot be transferred to profit or loss under the equity method			
3. Changes in the fair value of other equity instrument investments			
4. Changes in fair value of the company's own credit risk			
5.Others			
(II) To be reclassified subsequently to profit or loss		3,620,324.54	-829,099.84
1.Items attributable to investees under equity method that will be reclassified to profit or loss			
2. Gains and losses from changes in the fair value of available-for-sale financial assets			
3. The held-to-maturity investment is reclassified as available-for-sale financial asset gains and losses			
4. Changes in the fair value of financial assets at fair value through other comprehensive income		4,076,925.70	-6,842,882.33
5. The amount of financial assets reclassified and included in other comprehensive income			
6. Credit impairment reserves of financial assets at fair value through other comprehensive income		-456,601.16	6,013,782.49
7. Cash flow hedge provision			
8. Translation differences of foreign currency financial statements			
VII. Total comprehensive income		263,575,336.25	112,839,003.64

Legal representative: 菅军印明 Officer in charge of accounting: 朱民印建 Chief accountant: 李欣印昭 Head of department: 郭勇印良

Company Cash Flow Statement

Jan-June 2021

Prepared by: Central China Securities Co., Ltd.

(Unless otherwise specified, expressed in RMB Yuan)

Item	Note XIV	Jan-June 2021	Jan-June 2020
I. Cash flows from operating activities:			
Cash receipt from interests, fee and commissions		1,219,021,857.15	1,081,959,956.40
Net increase in due to banks and other financial institutions			240,000,000.00
Net increase of repurchase business			2,365,737,960.69
Net decrease of resale business		378,882,839.46	746,525,969.51
Cash received from brokerage clients		526,754,776.18	1,973,126,625.30
Other cash received related to operating activities		146,834,178.69	32,879,398.39
Subtotal of cash inflows from operating activities		2,271,493,651.48	6,440,229,910.29
Net increase of financial instruments at fair value through profit or loss		181,349,157.04	1,345,250,236.42
Net decrease in due to banks and other financial institutions		1,190,000,000.00	
Net decrease in repurchase business funds		446,181,059.90	
Net increase in margin accounts receivable		204,657,151.67	441,772,746.91
Cash payment to interests, fee charges and commissions		324,068,052.50	290,650,491.32
Cash payments to and on behalf of employees		574,160,422.29	395,521,907.43
Cash payments of taxes		194,995,409.52	92,698,627.88
Other cash payments related to operating activities		47,990,840.33	575,599,541.02
Subtotal of cash outflows from operating activities		3,163,402,093.25	3,141,493,550.98
Net cash flows from operating activities	XIV.6	-891,908,441.77	3,298,736,359.31
II. Cash flows from investing activities:			
Cash received from investment income		60,004,338.61	101,494,571.91
Cash received from disposal of fixed assets, intangible assets and other long-term assets		98,464.91	155,335.77
Subtotal of cash inflows from investing activities		60,102,803.52	101,649,907.68
Cash payments to acquire fixed assets, intangible assets and other long-term assets		31,543,223.12	29,523,042.36
Cash payments to acquire investments		695,740,815.55	141,836,088.50
Subtotal of cash outflows from investing activities		727,284,038.67	171,359,130.86
Net cash flows from investing activities		-667,181,235.15	-69,709,223.18
III. Cash flows from financing activities:			
Cash received from issuance of bonds		7,230,039,000.00	2,865,576,000.00
Subtotal of cash inflows from financing activities		7,230,039,000.00	2,865,576,000.00
Cash repayments of borrowings		4,498,073,000.00	2,691,915,000.00
Cash payments for distribution of dividends or profit or interest expenses		261,654,313.19	227,928,161.80
Other cash payments related to financing activities		23,687,049.88	24,952,937.74
Subtotal of cash outflows from financing activities		4,783,414,363.07	2,944,796,099.54
Net cash flows from financing activities		2,446,624,636.93	-79,220,099.54
IV. Effect of foreign exchange rate changes on cash and cash equivalents		-104,484.05	142,304.99
V. Net increase/(decrease) in cash and cash equivalents	XIV.6	887,430,475.96	3,149,949,341.58
Add: opening balance of cash and cash equivalents		11,500,913,337.34	9,849,533,204.97
VI. Closing balance of cash and cash equivalents		12,388,343,813.30	12,999,482,546.55

Legal representative: 菅军印明 Officer in charge of accounting: 朱民印建 Chief accountant: 李欣印昭 Head of department: 郭勇印良

Company statement of changes in equity

Jan-June 2021

Prepared by: Central China Securities Co., Ltd.

(Unless otherwise specified, expressed in RMB Yuan)

Item	Jan-June 2021						
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Retained earnings	Total equity
I. Balance at the end of prior year	4,642,884,700.00	6,606,160,370.84	-1,388,009.67	838,358,247.79	1,371,112,556.76	286,790,057.51	13,743,917,923.23
Add: Changes of accounting policies							
Error correction of early stage							
Others							
II. Balance at the beginning of current year	4,642,884,700.00	6,606,160,370.84	-1,388,009.67	838,358,247.79	1,371,112,556.76	286,790,057.51	13,743,917,923.23
III. Current period increase (or less: decrease)			3,620,324.54		935,771.83	180,090,199.98	184,646,296.35
(I) Total comprehensive income			3,620,324.54			259,955,011.71	263,575,336.25
(II) Capital contributed or withdrawn by owners							
1. Capital contributed by owners							
2. Capital contributed by holders of other equity instruments							
3. Amount of share-based payment included in equity							
4. Others							
(III) Profit distribution					935,771.83	-79,864,811.73	-78,929,039.90
1. Appropriation to surplus reserve							
2. Appropriation to general risk reserve					935,771.83	-935,771.83	
3. Cash dividend recognized as distribution						-78,929,039.90	-78,929,039.90
4. Others							
(IV) Internal carry-over within equity							
1. Transfer of capital reserve to capital							
2. Transfer of surplus reserve to capital							
3. Surplus reserve to cover losses							
4. Others							
(V) Others							
IV. Balance at the end of current period	4,642,884,700.00	6,606,160,370.84	2,232,314.87	838,358,247.79	1,372,048,328.59	466,880,257.49	13,928,564,219.58

Legal representative: 菅军印明

Officer is charge of accounting: 朱建民印

Chief accountant: 李昭欣印

Head of department: 郭良勇印

Company statement of changes in equity

Jan-June 2021

Prepared by: Central China Securities Co., Ltd.

(Unless otherwise specified, expressed in RMB Yuan)

Item	Jan-June 2020						
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Retained earnings	Total equity
I. Balance at the end of prior year	3,869,070,700.00	3,762,844,544.48	5,435,762.48	808,084,287.96	1,315,470,752.11	170,879,423.10	9,931,785,470.13
Add: Changes of accounting policies							
Error correction of early stage							
Others							
II. Balance at the beginning of current year	3,869,070,700.00	3,762,844,544.48	5,435,762.48	808,084,287.96	1,315,470,752.11	170,879,423.10	9,931,785,470.13
III. Current period increase (or less: decrease)			-829,099.84			113,668,103.48	112,839,003.64
(I) Total comprehensive income			-829,099.84			113,668,103.48	112,839,003.64
(II) Capital contributed or withdrawn by owners							
1. Capital contributed by owners							
2. Capital contributed by holders of other equity instruments							
3. Amount of share-based payment included in equity							
4. Others							
(III) Profit distribution							
1. Appropriation to surplus reserve							
2. Appropriation to general risk reserve							
3. Cash dividend recognized as distribution							
4. Others							
(IV) Internal carry-over within equity							
1. Transfer of capital reserve to capital							
2. Transfer of surplus reserve to capital							
3. Surplus reserve to cover losses							
4. Others							
(V) Others							
IV. Balance at the end of current period	3,869,070,700.00	3,762,844,544.48	4,606,662.64	808,084,287.96	1,315,470,752.11	284,547,526.58	10,044,624,473.77

Legal representative: 军营印明

Officer in charge of accounting: 民朱印建 民朱印建

Chief accountant: 欣李印昭

Head of department: 勇郭印良

Central China Securities Co., Ltd.
Financial period from 1st Jan 2021 until 30th June 2021
Notes to the Financial Statements

I. Basic information

1. Place of registration, form of organization and the headquarter address of the Company

Central China Securities Co., Ltd. (hereinafter referred to as the company or the Company) was established on 25 October, 2002, with the approval of the reply on Approving the opening of Central China Securities Co., Ltd. (SFC [2002] No. 326) of China Securities Regulatory Commission, based on the merger and reorganization of the securities business department of Henan finance securities company and Anyang trust and investment company, combined with other qualified companies to increase capital and shares. The company was registered with Henan Administration for Industry and Commerce on 8 November, 2002, with a registered capital of RMB 1,033.79 million. After the establishment of the company, according to the Opening Reply of China Securities Regulatory Commission, the company acquired securities assets such as the securities business department and securities service department of Henan securities.

On 15 January, 2008, with the approval of China Securities Regulatory Commission, the registered capital of the company was changed from RMB 1,033.79 million to RMB 2,033.5157 million.

On 10 June, 2008, China Securities Regulatory Commission approved Henan Investment Group to acquire 196,704,200 shares of the company held by Henan Construction Investment Corporation (accounting for 9.673% of the registered capital) and 715,253,600 shares of the company held by Henan Economic and Technological Development Corporation (accounting for 35.173% of the registered capital). After the equity change, Henan Investment Group held a total of 911,957,800 shares of the company (accounting for 44.846% of the registered capital of the company).

On 22 September, 2011, China Securities Regulatory Commission approved Bohai Industrial Investment Fund Management Co., Ltd. (on behalf of Bohai Industrial Investment Fund) to hold more than 5% equity of the company and transferred 608 million shares held by XJ Group Co., Ltd. (accounting for 29.899% of the registered capital of the company).

On 25 June, 2014, the company's overseas issued shares were listed on the main board of the Hong Kong stock exchange, stock abbreviation: CCSC, stock code: 01375. According to the reply on issues related to the management of state-owned equity and the transfer of state-owned shares of Central China Securities Co., Ltd. (GXCQ [2013] No. 1070) issued by the State-owned Assets Supervision and Administration Commission of the State Council, after the company completes the issuance, The state-owned shareholders Henan Investment Group, Angang Group, Pingmei Shenma, Anyang Economic Development, Jiangsu Suhao, Shenhuo Group, Jiaozuo Economic Development, Shenzhen Guangsheng and Hebi Construction Investment respectively transferred 40,994,778 shares, 8,842,345 shares, 3,738,231 shares, 2,432,074 shares, 1,348,575 shares, 884,166 shares, 678,113 shares, 449,525 shares and 442,193 shares held by them to the National Social Security Fund Council. The above nine transferred 59,810,000 shares held by the National Social Security Fund Council. On 28 October, 2014, the company completed the industrial and commercial change registration of registered capital at Henan Administration for Industry and commerce, and the registered capital increased to RMB 2,631,615,700.00.

On 3 August, 2015, the Company completed the non-public issuance of 592,119,000.H shares, with a par value of RMB1 per share at the allocation price of HK $4.28 per H share. On 14 August, 2015, the Company completed the procedures of industrial and commercial change registration with Henan Administration for Industry and Commerce, with the share capital of the Company increased to RMB 3,223,734,700.00.

On 18 November, 2016, the Company issued no more than 700,000,000 shares ordinary share with a par value of RMB1 per share. According to "Implementation Measures for the Transfer of Certain State-owned Shares in the Domestic Securities Market to Enrich the National Social Security Fund" (CQ [2009] No.94) issued by CSRC and "Approval on the Management Plan of Central China Securities Co., Ltd. Issuing A-Shares of State-owned Equity and the Transfer of State-owned Shares" (Yu Guo Zi Chan Quan [2015] No.26) issued by the SASAC of Henan Province, of the 700,000,000 shares to be issued under this issuance, state-owned shareholders Henan Investment Group, Anyang Iron & Steel Group, China Pingmei Shenma Energy Chemical Group Co., Ltd., Anyang Economic Development Group Co., Ltd, Jiangsu Soho Holding Group Co., Ltd., Henan Shenhuo Group Co., Ltd, Jiaozuo Economic and Technological Development Co., Ltd., Shenzhen Guangsheng Investment Development Co., Ltd. and Hebi Economic Construction Investment Group Co., Ltd. would transfer their 47,979,175 shares, 10,348,840 shares, 4,375,124 shares, 2,846,433 shares, 1,578,336 shares, 1,034,804 shares, 793,645 shares, 526,112 shares and 517,531 shares (70,000,000 shares in total), respectively, to National Council for Social Security Fund.

On 3 January, 2017, the Company's A shares were listed on the Shanghai Stock Exchange.

From 12 February, 2018, the Company repurchased some H shares in the form of on-site share repurchase. The Company has repurchased 54,664,000 H-shares on a cumulative basis. On 11 July, 2018, the Company completed the procedures of industrial and commercial change registration and obtained the business license reissued by the Henan Administration for Industry and Commerce. The registered capital changed to RMB 3,869,070,700.00.

On 30 July, 2020, the Company completed the non-public issuance of 773,814,000 A shares, with a par value of RMB 1 per share and an issue price of RMB 4.71 per a share. On 4 September, 2020, the Company completed the industrial and commercial change registration of the registered capital in Henan Administration for Industry and commerce, and the registered capital increased to RMB 4,642,884,700.00.

The Company now holds a business license with a unified social credit code of 91410000744078476K.

As of 30 June, 2021, the Company has issued a total of 4,642.8847 million shares with a registered capital of RMB 4,642.8847 million. The registered address is 10 Business Outer Ring Road, Zhengdong New

District, Zhengzhou City, Henan Province, China, and its headquarters address is 10 Business Outer Ring Road, Zhengdong New District, Zhengzhou City, Henan Province, China. The parent company is Henan Investment Group Co., Ltd., and the actual controller of the group is Henan Provincial Department of Finance.

The basic organizational structure of the Company: the general meeting of shareholders is the Company's authority, the board of directors is the Company's decision-making body:the manager is the Company's executive body, the board of supervisors is the Company's supervisory body, The board of Directors consists of the Development Strategy Committee, Benefits and Nomination Committee, Audit Committee and Risk Management Committee. In addition, the Group has Audit Headquarters, Company Office, Strategic Development Department, Party Committee Work Department, Discipline Inspection Department, Mass Work Department, Company Disciplinary Inspection and Supervision Team, Inspection Work Office, Human Resources Management Headquarters, Planning and Finance Headquarters, Accounting Center, Capital Operation Headquarters, Settlement Trusteeship Department, Centralized Operation Center, , Information Technology Headquarters, Risk Management Headquarters, Legal Affairs Headquarters, Compliance Management Headquarters, Brokerage Operation Management Headquarters, Retail Business Headquarters, Margin Trading and Derivatives Business Department, Internet Finance Department, Market Making Business Headquarters, Securities Research Institute, Pledge Financing Department, Debt Financing Headquarters, Asset Management Headquarters, Financial Markets Department, Administration Department, Beijing Comprehensive Management Department, Financial Products Department, Securities Investment Headquarters, Fixed Income Investment Headquarters, First Capital Market Department, Second Capital Market Department, Zhengzhou Investment Bank Headquarters, Investment Bank Operation Management Headquarters, First Corporate Finance Department, Second Corporate Finance Department, Third Corporate Finance Department, Forth Corporate Finance Department, Fifth Corporate Finance Department, Sixth Corporate Finance Department, Inclusive Finance Department, Eighth Corporate Finance Department (International Business Department), Ninth Corporate Finance Department, Tenth Corporate Finance Department, Eleventh Corporate Finance Department, Twelfth Corporate Finance Department, Thirteenth Corporate Finance Department, Bond and Structured Finance Department, Quality Control Headquarters, Financing Management Department, M&A Finance Department and other functional departments.

As of 30 June, 2021, the Company has 85 securities business departments that have been approved to be established and opened, 30 branches that have been approved for establishment. The Company directly owned 5 holding subsidiaries, including Central China Futures Co., Ltd. ("CCF"), Zhongding Kaiyuan Venture Capital Management Co., Ltd.("ZDKY"), Central China International Financial Holdings Co., Ltd. ("CCIFHC"), Central China Blue Ocean Investment Management Co., Ltd.("CCBO"), Central China Equity Exchange Co., Ltd.("CCEEC"). The Company had 9 third level-holding subsidiaries, including Yuxin Investment Management (Shanghai) Co., Ltd.("Yuxin Investment"), Henan Zhongzheng Kaiyuan Private Equity Fund Management Co., Ltd.("ZZKY", formerly name: Zhongding Kaiyuan Venture Capital Fund Management Co., Ltd.), Henan Central China Micro-lending Company Limited("Central China Micro-lending Henan"), Central China International Holdings Co., Ltd.("Central China International Holdings"), , Central China International Securities Co., Ltd.("Central China International Securities"), Central China International Futures Co., Ltd.("Central China International Futures"), Central China International Investment Co., Ltd.("Central China International Investment")Central China International Financing Co., Ltd.("Central China International Financing"),Wending Zhongyuan Company Limited. Central China International Financial Group Limited ("Central China International Financial Group") is a fourth level-holding subsidiary of CCSC.

2. Business nature and main business activities of the Company

The Company belongs to the financial industry. The business scope of the Company and its subsidiaries (hereinafter referred to as "the Group") includes: brokerage business (securities brokerage, , wealth management and distribution of financial products), investment banking business (equity financing, financial adviser and bond financing), credit business (margin trading business, stock-pledged repurchase business and agreed repurchase securities trading business), investment management business (asset management, direct investment and fund management), futures business, proprietary trading business, overseas business and other business of headquarters,, new OTC market making business, micro loan, innovation business, equity trading center, and research business).

3. Approval and issuance of financial statements

The financial statement was approved by the Company's board of directors on 27 August, 2021.

II. The Range of Consolidated Financial Statements

There are 15 subsidiaries included in the scope of consolidated financial statements in this period, including:

Name of subsidiary	Type of subsidiary	Level	Shareholding ratio (%)	Proportion of voting rights (%)
Central China Futures Co., Ltd.	Holding subsidiary	2	51.36	51.36
Yuxin Investment Management (Shanghai) CO., Ltd	Holding subsidiary	3	51.36	51.36
Zhongding Kaiyuan Venture Capital Management Co., Ltd	Wholly-owned subsidiary	2	100.00	100.00
Henan Zhongzheng Kaiyuan Venture Capital Private Equity Fund Management CO., Ltd. .	Holding subsidiary	3	60.00	60.00
Central China Blue Ocean Investment Management Co., Ltd.	Wholly-owned subsidiary	2	100.00	100.00
Henan Central China Micro-Lending Co., Ltd.	Holding subsidiary	3	65.00	65.00
Central China Equity Exchange Co., Ltd.	Holding subsidiary	2	35.00	51.00
Central China International Financial Holdings Co., Ltd.	Wholly-owned subsidiary	2	100.00	100.00
Central China International Holdings Co., Ltd.	Wholly-owned subsidiary	3	100.00	100.00
Central China International Financial Group Ltd. .	Wholly-owned subsidiary	4	100.00	100.00
Central China International Financing Co., Ltd.	Wholly-owned subsidiary	3	100.00	100.00
Central China International Securities Co., Ltd.	Wholly-owned subsidiary	3	100.00	100.00
Central China International Investment Co., Ltd.	Wholly-owned subsidiary	3	100.00	100.00

Name of subsidiary	Type of subsidiary	Level	Shareholding ratio (%)	Proportion of voting rights (%)
Central China International Futures Co., Ltd.	Wholly-owned subsidiary	3	100.00	100.00
Wending Zhongyuan Co., Ltd.	Wholly-owned subsidiary	3	100.00	100.00

The reasons why the shareholding ratio of subsidiaries is different from the voting ratio and the basis for holding half or less of the voting rights but still controlling the investee are detailed in "Note VII. Equity in other entities 1. Equity in subsidiaries."

For the structured entities included in the consolidation scope, see "Note VII. Equity in other entities (I) Equity in subsidiaries" for details.

The entities included in the consolidated financial statements for the current period have not changed from the previous period.

III. The basis for the preparation of financial statements

1. The basis for the preparation of financial statements

Based on actual transactions and events, the company is in accordance with the "Accounting Standards for Business Enterprises-Basic Standards" promulgated by the Ministry of Finance and specific accounting standards for business enterprises, the application guide for business accounting standards, the interpretations of business accounting standards and other relevant regulations (hereinafter collectively referred to as "Accounting Standards for Business Enterprises ") for confirmation and measurement, and on this basis, combined with the China Securities Regulatory Commission's "The Preparation and Reporting of Corporate Information Disclosure of Public Securities No. 15 - General Provisions for Financial Statements" (revised in 2014), "Disclosure Provisions of the Hong Kong Companies Ordinance and The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited"

2. Assessment of the ability to continue as a going concern

The Company has evaluated the continuous operation ability for 12 months since the end of the reporting period, and no events or situations that has major doubts about the continuous operation ability is found. Therefore, the financial statements are prepared on the basis of going concern assumption.

3. Accounting basis and pricing principles

The Group's accounting is based on the accrual basis. Except for certain financial instruments that are measured at fair value, the financial statement takes historical cost as the measurement basis. If an asset is impaired, the corresponding provision for impairment shall be made in accordance with relevant regulations.

IV. Significant accounting policies and estimates

1. Notice on the specific accounting policies and estimates

The Group formulated specific accounting policies and accounting estimates according to actual production and operation characteristics, including the clients' transaction settlement funds, financial instruments, securities underwriting business, entrusted investment management business, margin and short selling business, purchase resale and sale repurchase funds, income recognition, etc.

2. Statement of compliance with Accounting Standards for Business Enterprises

The financial statements prepared by the Company comply with the requirements of the accounting standards for business enterprises and truly and completely reflect the Company's financial position, operating results, cash flow and other relevant information during the reporting period

3. Accounting period

The fiscal year is from 1 January to 31 December of the Gregorian calendar.

4. Business cycle

The business cycle refers to the period from the purchase of assets for processing to the realization of cash or cash equivalents. The Company takes 12 months as a business cycle and takes it as the liquidity division standard of assets and liabilities.

5. Functional currency

RMB is adopted as the bookkeeping base currency, and the overseas subsidiaries take the currency in the main economic environment in which they operate as the bookkeeping base currency, which is converted into RMB when preparing the financial statements.

6. Accounting treatment methods for business combinations under the same control and not under the same control

(1) If the terms, conditions and economic impact of each transaction in the process of business combination meet one or more of the following conditions, multiple transactions shall be treated as a package deal for accounting.

a) These transactions are made at the same time or with consideration for each other's influence

b) These transactions only as a whole can achieve a complete business result

c) The occurrence of one transaction depends on the occurrence of at least one other transaction

d) A transaction is uneconomic alone, but it is economical when considered together with other transactions

(2) Business combination under the same control

The assets and liabilities obtained by the Company in business combination shall be measured according to the book value of the assets and liabilities of the combined party (including the goodwill formed by the final controller's acquisition of the combined party) in the consolidated financial statements of the final controller on the combination date. The difference between the book value of the net assets obtained in a business combination and the book value of the combined consideration paid (or the total face value of the issued shares) shall be adjusted for the equity premium in the capital reserve. If the equity premium in the capital reserve is insufficient to offset, the retained earnings shall be adjusted.

If there is contingent consideration and it is necessary to recognize estimated liabilities or assets, the difference between the amount of estimated liabilities or assets and the subsequent settlement amount of contingent consideration shall be adjusted to the capital reserve (capital premium or equity premium). If the capital reserve is insufficient, the retained earnings shall be adjusted.

If the business combination is finally realized through multiple transactions and belongs to a package transaction, each transaction shall be treated as a transaction that obtains control; if it is not a package deal, the capital reserve shall be adjusted according to the difference between the initial investment cost of the long-term equity investment on the date of obtaining the control right and the sum of the book value of the long-term equity investment before the business combination plus the book value of the newly paid consideration for the shares obtained on the date of business combination; if the capital reserve is insufficient to offset, the retained earnings shall be adjusted. For the equity investment held before the date of business combination, other comprehensive income recognized due to the adoption of equity method or financial instrument recognition and measurement standards will not be subject to accounting treatment temporarily until the investment is disposed of on the same basis as the investee's direct disposal of relevant assets or liabilities. Other changes of equity other than net profit or loss, other comprehensive income and profit distribution in the net assets of the investee recognized by using the equity method shall not be subject to accounting treatment until the investment is disposed of, which will be transferred to the current profit or loss when it is disposed of.

(3) Business combination not under the same control

The purchase date refers to the date when the Company actually obtains the control over the acquiree, that is, the date when the control over the acquiree's net assets or production and operation decisions is transferred to the Company. When the following conditions are met at the same time, the Company generally believes that the transfer of control is realized.

a) The contract or agreement of business combination has been approved by the internal authority of the Company.

b) Where a business combination needs to be examined and approved by the relevant competent department of the state, it has been approved.

c) The necessary formalities for the transfer of property rights have been handled.

d) The Company has paid most of the combination price and has the ability and plan to pay the remaining amount.

e) The company has actually controlled the financial and operating policies of the acquiree, enjoyed corresponding benefits and assumed corresponding risks.

On the acquisition date, the Company shall measure the assets paid, liabilities incurred or assumed as the consideration paid for business combination at fair value, and the difference between the fair value and its book value shall be included in the current profit or loss.

The Company recognizes the excess of the combination cost over the fair value of the identifiable net assets of the acquiree obtained in the combination as goodwill. The excess of the combination cost and the fair value of the identifiable net assets of the acquiree obtained in the combination shall be included in the current profits or losses after review.

If the business combination not under the same control realized step by step through multiple exchange transactions belongs to a package deal, each transaction shall be treated as a transaction to obtain control; If it is not a package deal and the equity investment held before the combination date is accounted by the equity method, the sum of the book value of the equity investment held before the acquisition date and the new investment cost on the acquisition date shall be regarded as the initial investment cost of the investment. Other comprehensive income recognized for the equity investment held before the acquisition date due to the adoption of the equity method shall be accounted for on the same basis as the investee's direct disposal of relevant assets or liabilities. If the equity investment held before the combination date is accounted by the recognition and measurement standards of financial instruments, the sum of the fair value of the equity investment on the combination date plus the new investment cost shall be taken as the initial investment cost on the merger date. The difference between the fair value of the original equity held and the book value and the accumulated fair value changes originally included in other comprehensive income shall all be transferred to the investment income of the current period on the combination date.

(4) Relevant expenses incurred for combination

The intermediary expenses such as audit, legal services, appraisal and consultation and other directly related expenses incurred for business combination shall be included in the current profit or loss when incurred. The transaction costs of issuing equity securities for business combination can be deducted from equity if they are directly attributable to equity transactions.

7. Preparation method of consolidated financial statements

(1) Consolidation scope

The consolidation scope of the Company's consolidated financial statements is determined on the basis of control, and all subsidiaries (including individual entities controlled by the Company) are included in the consolidated financial statements.

(2) Consolidation procedures

The Company prepares consolidated financial statements based on the financial statements of itself and its subsidiaries and other relevant materials. In preparing consolidated financial statements, the company regards the whole enterprise group as an accounting entity, and reflects the overall financial position, operating results and cash flow of the enterprise group in accordance with the recognition, measurement and presentation requirements of relevant accounting standards for business enterprises and unified accounting policies.

The accounting policies and accounting periods adopted by all subsidiaries included in the consolidation scope of the consolidated financial statements are consistent with those of the company. If the accounting policies and accounting periods adopted by subsidiaries are inconsistent with those of the company, necessary adjustments shall be made according to the accounting policies and accounting periods of the company when preparing the consolidated financial statements.

The consolidated financial statements offset the impact of internal transactions between the company and subsidiaries and between subsidiaries on the consolidated balance sheet, consolidated income statement, consolidated cash flow statement and consolidated statement of changes in shareholders' equity. If the recognition of the same transaction from the perspective of the consolidated financial statements of the enterprise group is different from that with the company or subsidiaries as the accounting entity, the transaction shall be adjusted from the perspective of the enterprise group.

Subsidiary owners' equity, current net profit or loss, and current comprehensive income of the minority shareholders are separately listed under the owner's equity item in the consolidated balance sheet, the net profit item and the total comprehensive income item in the consolidated income statement. The current loss shared by the minority shareholders of the subsidiary exceeds the balance formed by the minority shareholders' share of the beginning owner's equity of the subsidiary, offsetting the minority shareholders' equity.

For subsidiaries acquired through business combination under the same control, their financial statements shall be adjusted based on the book value of its assets and liabilities (including the goodwill formed by the ultimate controlling party's acquisition of the subsidiaries) in the ultimate controlling party's financial statements.

For subsidiaries acquired through business combination not under the same control, their financial statements shall be adjusted based on the fair value of identifiable net assets on the acquisition date.

a) Add subsidiaries or business

During the reporting period, if subsidiaries or businesses are added due to business combination under the same control, the opening balance of the consolidated balance sheet shall be adjusted. Incorporating the income, expenses and profits of subsidiaries or business combinations from the beginning of the current period to the end of the reporting period into the consolidated income statement; The cash flows of subsidiaries or business combinations from the beginning of the current period to the end of the reporting period are included in the consolidated cash flow statement, and the relevant items of the comparative statements are adjusted. It is deemed that the consolidated reporting entity has existed since the time when the final controller began to control.

If the investee under the same control can be controlled due to additional investment and other reasons, it is deemed that the parties involved in the merger exist in the current state when the final controller begins to control. For the equity investment held before obtaining the control of the combined party, the changes in relevant profits or losses, other comprehensive income and other net assets have been recognized from the later of the date of obtaining the original equity and the date of being under the same control of the combining party and the combined party to the date of combination, respectively offsetting the beginning retained earnings or current profits or losses during the comparative reporting period.

During the reporting period, if subsidiaries or businesses are added due to business combination not under the same control, the opening balance of the consolidated balance sheet shall not be adjusted Incorporating the income, expenses and profits of the subsidiary or business from the acquisition date to the end of the reporting period into the consolidated income statement. The cash flow of the subsidiary or business from the acquisition date to the end of the reporting period is included in the consolidated cash flow statement.

If the investee not under the same control can be controlled due to additional investment and other reasons, the company shall remeasure the equity of the acquiree held before the acquisition date according to the fair value of the equity on the acquisition date, and the difference between the fair value and its book value shall be included in the current investment income. If the equity of the acquiree held before the acquisition date involves other comprehensive income calculated by the equity method and other changes in owner's equity other than net profit or loss, other comprehensive income and profit distribution, the related other comprehensive income and other changes in owner's equity are transferred to the current investment income on the acquisition date, except for other comprehensive income arising from changes in net liabilities or net assets of the investee's remeasurement of the defined benefit plan.

b) Disposal of subsidiaries or businesses

i General treatment method

During the reporting period, if the company disposes of subsidiaries or businesses, the income, expenses and profits of such subsidiaries or businesses from the beginning of the period to the date of disposal shall be included in the consolidated income statement. The cash flow of the subsidiary or business from the beginning of the period to the disposal date is included in the consolidated cash flow statement.

When the control over the investee is lost due to the disposal of part of the equity investment or other reasons, the company remeasures the remaining equity investment after disposal according to its fair value on the date of loss of control. The difference between the sum of the consideration price obtained from the disposal of equity and the fair value of the remaining equity minus the sum of the share of net assets and goodwill of the original subsidiary continuously calculated from the purchase date or combination date according to the original shareholding ratio shall be included in the investment income of the current period when the control is lost. Other comprehensive income related to the equity investment of the original subsidiary or other changes in owner's equity other than net profit or loss, other comprehensive income and profit distribution shall be transferred to the current investment income when the control is lost, except for other comprehensive income arising from the change of net liabilities or net assets due to the remeasurement of the defined benefit plan.

ii Step by step disposal of subsidiaries

If the equity investment in a subsidiary is disposed step by step through multiple transactions until the control is lost, the terms, conditions and economic impact of various transactions for the disposal of equity investment in a subsidiary meet one or more of the following conditions, which generally indicates that multiple transactions should be accounted for as a package transaction:

1). These transactions are concluded at the same time or taking mutual influence into account;

2). These transactions as a whole can achieve a complete business result;

3). The occurrence of one transaction depends on the occurrence of at least one other transaction;

4). A transaction is uneconomic alone, but it is economical when considered together with other transactions.

If the transactions from the disposal of equity investment in subsidiaries to the loss of control are package transactions, the company will treat each transaction as a transaction for the disposal of subsidiaries and the loss of control; However, before the loss of control, the difference between each disposal price and the share of net assets of the subsidiary corresponding to the disposal of investment shall be recognized as other comprehensive income in the consolidated financial statements, and shall be transferred to the profits and losses of the current period when the control is lost.

If all transactions from the disposal of equity investment in subsidiaries to the loss of control are not package transactions, accounting treatment shall be carried out according to the relevant policies for partial disposal of equity investment in subsidiaries without losing control before the loss of control. In case of loss of control, accounting treatment shall be carried out according to the general treatment method for disposal of subsidiaries.

c) Purchase of minority interests in subsidiaries

For the difference between the long-term equity investment newly obtained by the company due to the purchase of minority equity and the share of net assets of subsidiaries continuously calculated from the purchase date (or combination date) according to the newly increased shareholding ratio, the capital stock premium in the capital reserve in the consolidated balance sheet shall be adjusted. If the capital stock premium in the capital reserve is insufficient to be offset, the retained earnings shall be adjusted.

d) Partial disposal of equity investment in subsidiaries without losing control

Without losing control, the difference between the disposal price obtained from the partial disposal of long-term equity investment in subsidiaries and the share of net assets of subsidiaries continuously calculated from the purchase date or merger date corresponding to the disposal of long-term equity investment shall be adjusted to the equity premium in the capital reserve in the consolidated balance sheet. If the equity premium in the capital reserve is insufficient to be offset, adjust the retained earnings.

8. Criteria for determining cash and cash equivalents

When preparing the cash flow statement, the company's cash on hand and deposits that can be used for payment at any time are recognized as cash. Investments that meet the four conditions of short term (generally due within three months from the purchase date), strong liquidity, easy conversion to known amount of cash and small risk of value change are determined as cash equivalents.

9. Foreign currency transactions and translation of foreign currency statements

(1) Foreign currency business

When foreign currency business transactions are initially confirmed, the spot exchange rate on the transaction date shall be used as the conversion rate to convert them into RMB for bookkeeping.

On the balance sheet date, foreign currency monetary items are translated at the spot exchange rate on the balance sheet date. The exchange differences arising therefrom are included in the current profits or losses, except for the exchange differences arising from special foreign currency borrowings related to the acquisition and construction of assets eligible for capitalization, which are treated in accordance with the principle of capitalization of borrowing costs. Foreign currency non-monetary items measured at historical cost shall still be translated at the spot exchange rate on the transaction date without changing the amount in the functional currency.

Foreign currency non-monetary items measured at fair value are translated at the spot exchange rate on the date when the fair value is determined. The difference between the amount of the converted bookkeeping functional currency and the amount of the original bookkeeping functional currency is treated as a change in fair value (including exchange rate change), included in the current profit or loss or recognized as other comprehensive income.

(2) Translation of foreign currency financial statements

The assets and liability items in the balance sheet shall be translated at the spot exchange rate on the balance sheet date. Except for the "undistributed profit" item, other items of owner's equity are translated at the spot exchange rate at the time of occurrence. The income and expense items in the income statement are translated at the spot exchange rate on the transaction date. The translation difference of foreign currency financial statements generated according to the above translation is included in other comprehensive income.

When disposing of an overseas operation, the translation difference of foreign currency financial statements related to the overseas operation listed in other comprehensive income items in the balance sheet shall be transferred from other comprehensive income items to the current profit or loss of disposal. When the proportion of overseas business interests held is reduced due to the disposal of part of equity investment or other reasons, but the control over overseas business is not lost, the translation difference of foreign currency statements related to the disposal of overseas business will belong to minority shareholders' interests and will not be transferred to the current profits or losses. When disposing part of the equity of an overseas operation as an associate or joint venture, the translation difference of foreign currency statements related to the overseas operation shall be transferred to the current profit and loss according to the proportion of disposing the overseas operation.

10. Financial instruments

A financial asset or financial liability is recognized when the company becomes a party to the financial instrument contract.

The effective interest rate method refers to the method of calculating the amortized cost of financial assets or financial liabilities and allocating interest income or interest expenses into each accounting period.

The effective interest rate refers to the interest rate used to discount the estimated future cash flow of the financial asset or financial liability in the expected duration into the book balance of the financial asset or the amortized cost of the financial liability. When determining the effective interest rate, the expected cash flow is estimated on the basis of considering all contract terms of financial assets or financial liabilities (such as prepayment, extension, call option or other similar options), but the expected credit loss is excluded

The amortized cost of a financial asset or financial liability is the accumulated amortization amount formed by deducting the repaid principal from the initially recognized amount of the financial asset or financial liability, plus or minus the amortization of the difference between the initially recognized amount and the amount on the maturity date using the effective interest rate method, and then deducting the accumulated loss reserves (applicable to financial assets only)

(1) Classification and measurement of financial assets

Based on the company's business model for managing the assets and the characteristics of the contractual cash flows of the asset, financial assets are classified as the following three categories:

a) Amortized cost assets;

b) Financial assets at fair value through other comprehensive income;

c) Financial assets at fair value through profit or loss.

The classification of financial assets depends on the business model of how the Group manage its assets and the characteristics of the cash flow of the assets.

Business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets, cash flows arising from the sale of assets, or both. If neither of these is applicable (e.g., financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model and measured at FVPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed, and how managers are compensated.

The cash flow characteristics of the financial assets represent the cash flow characteristics that the financial instrument contracts agree and reflect the economic characteristics of related financial assets. The characteristic of contractual cash flow that is consistent with basic lending agreement means the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The principal means the fair value at the initial recognition. Interest includes consideration for the time value of money, credit risk associated with the outstanding principal amount in a particular period, and other basic borrowing risks, costs and profits. classified into financial assets measured at amortized cost and financial assets (debt instruments) measured at fair value and whose changes are included in other comprehensive income. The contractual cash flow characteristics are consistent with the basic lending arrangements.

When the Group modifies its business model on managing financial assets, it will reclassify all the impacted financial assets and make adjustment prospectively starting from the date of reclassification. The Group is not allowed to adjust its gains, losses, or interests retroactively. The reclassification date is the first date of the reporting period after the business model is modified as a result of the reclassification of financial assets.

The classification requirements for debt instruments assets and equity instruments assets are described as below:

i Debt Instruments

It means that from the issuer's perspective, the instrument that meets the definition of financial debt. Based on business model for managing the assets and the characteristics of the contractual cash flows of the assets, the Group classifies its debt instruments into one of the following three measurement categories:

Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent SPPI and that are not designated as at FVPL, are measured at amortized cost.

Fair value through other comprehensive income: Financial assets that are held for collection of contractual cash flows and for selling, where the assets' cash flows represent SPPI and that are not designated as at FVPL, are measured at FVOCI.

Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL.

In addition, if the accounting mismatch can be eliminated or significantly reduced during initial recognition, the group can designate financial assets as financial assets measured at fair value and whose changes are included in the current profit and loss. Once the designation is made, it shall not be revoked.

ii Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective. The financial assets held by the Group are equity instruments provided that the following conditions are met simultaneously:

1) The financial instrument shall not include the contractual obligation to deliver cash or other financial assets to other parties or exchange financial assets or financial liabilities with other parties under potentially adverse conditions.

2) In the future, the financial instruments must be settled with the issuer's own equity instruments. If it is a non-derivative instrument, the financial instrument should not include the contractual obligation to deliver a variable amount of its own equity instruments for settlement; if it is a derivative instrument, the issuer can only exchange a fixed amount of its own equity instrument for a fixed amount cash or other financial assets.

The Group's equity instrument investments are all classified as financial assets measured at fair value and their changes are included in profit or loss, except for financial assets that have been irrevocably designated as measured at fair value and the changes of which are included in other comprehensive income. The Group's policy on the above-mentioned designation is to designate equity instrument investments that are not for the purpose of obtaining investment income to be measured at fair value and their changes are included in other comprehensive income.

For financial assets with embedded derivatives, when determining whether the contractual cash flow is only for principal and interest payments, analyzing it as a whole.

(2) Classification and measurement of financial liabilities

Financial liabilities are classified as liabilities measured at amortized cost, except:

a) Financial liabilities at FVPL: It includes financial liabilities held for trading (including derivative instruments belonging to financial liabilities) and financial liabilities designated at the initial recognition as measured at fair value and whose changes are recorded into profit and loss.

b) Financial liabilities that are recognized because the transfer of financial assets does not meet the conditions for derecognition or the continuous involvement method is applied for accounting. When the transfer does not meet the conditions for derecognition, the Group recognizes the financial liabilities according to the consideration received from the transfer, and recognizes all expenses arising from the liabilities in subsequent periods.

c) Financial guarantee contracts and loan commitments.

(3) Subsequent measurement of financial instruments

a) Financial assets or liabilities measured at amortized cost

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition: (i) minus the principal repayments; (ii) plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and; (iii) deducting accumulated provision for credit impairment (only applicable to financial assets).

The actual interest rate refers to the interest rate used to discount the estimated future cash flow of a financial asset or financial liability in the expected duration into the book balance of the financial asset or the amortized cost of the financial liability. In determining the actual interest rate, the Group will estimate the expected cash flow on the basis of taking into account all contractual terms of a financial asset or financial liability (such as prepayments, rollover, call options or other similar options, etc.), but it shall not take into account expected credit losses.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for: (i) POCI financial assets, whose interest income is calculated, since initial recognition, by applying the credit-adjusted effective interest rate to their amortized cost; and (ii) financial assets that are not POCI but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortized cost (i.e. net of the expected credit loss allowance). If, in a subsequent period, the financial assets improve their qualities so that they are no longer credit-impaired and the improvement in credit quality is related objectively to a certain event occurring after the application of the above-mentioned rules, then the interest income is calculated by applying the effective interest rate to their gross carrying amount.

b) Financial assets measured at fair value through other comprehensive income

Debt instruments: The gains or losses from financial assets that are classified as fair value and whose changes are included in other comprehensive income, except for impairment losses or gains and exchange gains and losses, are included in other comprehensive income until the financial asset is terminated Confirmed or reclassified. However, the financial asset interest calculated using the actual interest rate method is included in the current profit and loss. When such financial assets are derecognized, the accumulated gains or losses previously included in other comprehensive income should be transferred out of other comprehensive income and included in the current profit and loss.

Equity instruments: The equity instrument investments that are held for purposes other than to generate investment returns are designated as FVOCI, the changes in the fair value of the financial assets are included in other comprehensive income. When the financial asset is derecognized, the accumulated gains or losses previously included in other comprehensive income shall be transferred out of other comprehensive income and included in retained earnings. Dividend income as return on investment is recognized when the Group determines that the right to receive is established and included in the current profit and loss. Only when the following conditions are met can the enterprise recognize the dividend income and record it into the current profit and loss: ① the right of the enterprise to receive dividends has been established; ② the economic benefits related to dividends are likely to flow into the enterprise; ③ the amount of dividends can be measured reliably.

c) Financial assets or liabilities measured at fair value through profit or loss

The group will include the gains or losses of financial assets or financial liabilities measured at fair value and whose changes are included in the current profits or losses into the current profits or losses, unless the financial assets or financial liabilities fall into one of the following circumstances:

i. It is part of the hedging relationship specified in "China Accounting Standards for Business Enterprises No. 24-Hedging Accounting";

ii. It is a financial liability designated to be measured at fair value and its changes are included in the current profits and losses. According to Article 68 of the Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments, the changes in the fair value of the liability caused by the changes in the group's own credit risk shall be included in other comprehensive income. Other changes in the fair value of the financial liabilities are included in the current profits and losses. When the financial liability is derecognized, the accumulated gains or losses previously included in other comprehensive income are transferred out of other comprehensive income and included in retained earnings.

(4) Impairment of financial assets

The Group according to the basis of expected credit losses, perform impairment accounting treatment on the following financial assets and recognize loss provisions:

a) **Financial assets measured at amortized cost and debt investment measured at fair value with changes recognized in other comprehensive income;**
b) **Lease receivable;**
c) **Contract assets;**
d) **Financial guarantee contracts and loan commitments that the Group issued except financial liabilities at fair value through profit or loss.**

Expected credit loss is the weighted average of credit losses with the respective risks of a default occurring as the weights. Credit loss is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate. Among them, the cash flows of the financial assets purchased or originated by the group with credit impairment shall be discounted at the effective interest rate adjusted by the credit of the financial assets.

The Group combines forward-looking information to assess expected credit losses and to recognize the associated loss provisions at each balance sheet date. The measurement of expected credit losses reflects the following elements: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes; (ii) the time value of money; and (iii) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

For financial instruments whose impairment losses are measured using the ECL model, the Group assesses whether their credit risk has increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their impairment allowance and recognize their ECL, as follows:

Stage 1: The Group measures the loss allowance for a financial instrument at an amount equal to the next 12 months ECL if the credit risk of that financial instrument has not increased significantly since initial recognition.

Stage 2: The Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the credit risk of that financial instrument has increased significantly since initial recognition, which is not yet deemed to be credit-impaired.

Stage 3: The Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the financial instrument is credit-impaired.

By comparing the risk of default on the balance sheet date with the risk of default on the initial recognition date, the Group determines the relative change of the risk of default during the expected duration of the financial instrument, so as to evaluate whether the credit risk of the financial instrument has increased significantly since the initial recognition. In determining whether the credit risk has increased significantly since the initial recognition, the Group considers reasonable and evidence-based information, including forward-looking information, that can be obtained without unnecessary additional cost or effort. Information considered by the Group includes:

- The debtor fails to pay the principal and interest on the due date of the contract;

- A serious deterioration in the external or internal credit rating (if any) of a financial instrument that has occurred or is expected;

- A serious deterioration of the debtor's business results that has occurred or is expected;

- Changes in the existing or anticipated technical, market, economic or legal environment that would materially and adversely affect the debtor's ability to repay the Group.

According to the nature of financial instruments, the Group evaluates whether the credit risk increases significantly based on a single financial instrument or a combination of financial instruments. When evaluating on the basis of a portfolio of financial instruments, the Group may classify financial instruments based on common credit risk characteristics, such as overdue information and credit risk ratings. If overdue by more than 30 days, the Group determines that the credit risk of the financial instrument has significantly increased.

On the balance sheet date, the Group evaluates whether the financial assets measured at the amortized cost and the debt investments measured at fair value and whose changes are included in other comprehensive income have incurred credit impairment. When one or more events that adversely affect the expected future cash flow of a financial asset occur, the financial asset becomes a financial asset that has experienced credit impairment. Evidence of credit impairment of a financial asset includes the following observable information:

- Major financial difficulties occur to the issuer or the debtor;

- Breach of contract by the debtor, such as default or late payment of interest or principal;

- The Group, out of economic or contractual considerations relating to the debtor's financial difficulties, gives the debtor concessions that would not be made under any other circumstances;

- The debtor is likely to go bankrupt or undergo other financial restructuring;

- Financial difficulties of the issuer or debtor lead to the disappearance of an active market for the financial asset.

An investment in a debt instrument measured at fair value and its change recorded in other comprehensive income shall recognize its loss provision in other comprehensive income and record impairment loss or gain into current profit and loss, and shall not reduce the book value of the financial asset listed in the balance sheet.

In the previous accounting period, the provision for loss has been measured according to the amount equivalent to the expected credit loss in the whole duration of the financial instrument, but on the current balance sheet date, the financial instrument no longer belongs to the situation of significant increase in credit risk since initial recognition. On the balance sheet date of the current period, the group measures the loss provision of the financial instrument according to the amount equivalent to the expected credit loss in the next 12 months, and the reversal amount of the loss provision is included in the current profit or loss as impairment gain.

For the financial assets purchased or derived from which credit impairment has occurred, the Group shall, at the balance sheet date, recognize only the accumulated changes in the expected credit losses over the entire period since the initial recognition as provisions for losses. At each balance sheet date, the Group records the changes in expected credit losses throughout the period as impairment losses or gains in the current profit and loss.

The Group's judgment criteria for significant increase in credit risk, the definition of credit impaired assets which have occurred, and assumptions of ECL. For details, please refer to Note VIII/1 of this report.

(5) Derecognition of Financial Instruments

A financial asset is derecognized, when one of the following criteria is satisfied: (i) the rights to receive cash flows of the assets have expired; (ii) the Group has transferred substantially all the risks and rewards of ownership of the financial asset; (iii) the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has not retained control.

The Group has neither transferred nor retained almost all the risks and rewards and the Group has not given up the control over the financial assets, the relevant financial assets shall be recognized according to the extent of their continued involvement in the transferred financial assets, and the relevant liabilities should be recognized accordingly.

If the overall transfer of financial assets meets the conditions for the termination of recognition, the balance between the book value of the transferred financial assets, and the sum of the consideration received as a result of the transfer and the cumulative amounts of the changes in fair value originally booked into other comprehensive income shall be included in the current profit or loss.

If the partial transfer of financial assets meets the conditions for derecognition, the overall book value of the transferred financial assets shall be apportioned between the derecognized part and the non-derecognized part according to their respective relative fair values, and the sum of the consideration received due to the transfer and the cumulative amount of changes in fair value originally included in other comprehensive income that should be apportioned to the derecognized part. The difference between the above-mentioned carrying amount and the apportioned carrying amount shall be included in the current profit and loss.

(6) Determination method of fair value of financial assets and financial liabilities

a) If there is an active market for a financial instrument, the quoted market price in the active market is used to determine its fair value. In an active market, the financial assets that the Company has held or the financial liabilities to be assumed take the fair value of the corresponding assets or liabilities at the current bid price; The current asking price of the financial assets to be purchased or the financial liabilities undertaken by the company shall be taken as the fair value of the corresponding assets or liabilities. If there are no current bids and asking prices for financial assets or financial liabilities, but there has been no significant change in the economic environment after the latest trading date, the market price of the latest transaction is used to determine the fair value of the financial asset or financial liability. When the economic environment has changed significantly since the latest trading day, the current price or interest rate of similar financial assets or financial liabilities shall be referenced to adjust the market price of the latest transaction to determine the fair value of the financial asset or financial liability. The Company has sufficient evidence to show that the recently quoted market quotation is not fair value, and make appropriate adjustments to the recently traded market quotation to determine the fair value of the financial asset or financial liability.

b) If there is no active market, the Group establishes fair value by using valuation techniques. The valuation techniques include reference to prices used in recent market transactions by parties who are familiar with the situation and voluntary transactions, reference to the current fair value of other financial assets that are substantially the same, discounted cash flow method and option pricing models.

11. Margin trading & short selling business

Margin trading & short selling business refers to the business in which the Group lends funds to clients for buying securities or lends securities to them for sale and the corresponding collaterals are provided by clients. The Group's margin trading & short selling activity is divided into financing activity and securities lending activity.

As for the funds lent, the receivable claim and the corresponding interest income should be confirmed.

As for securities lending activity, the securities lent are not derecognized in accordance and the corresponding interest income is recognized.

When the Company carries out margin trading & short selling and buys and sells securities on behalf of clients, such activity is credited as securities brokerage activity.

12. Client transaction settlement funds

Client transaction settlement funds are accounted separately from the Company's own funds, and a separate account is set up for accounting in "monetary funds" and other projects. The Company's client transaction settlement funds received by the Company's agent trading in securities are fully deposited in the Company's designated bank account, and Recognized as a liability and settled with the customer. The Company accepts the client's entrustment to buy and sell securities through the stock exchange agent. When clearing with the customer, if the total transaction value of the purchased securities is greater than the total transaction value of the sold securities, the difference between the transaction price of the securities purchased and sold on the liquidation date, plus withholding stamp tax and the customer The commissions and other fees charged reduce the client's transaction settlement funds; if the total transaction value of the purchased securities is less than the total transaction value of the sold securities, the difference between the transaction price of the securities purchased and sold on the liquidation date, the reduction of withholding stamp taxes and commissions that should be charged to the client, etc. Handling fees increase customer transaction settlement funds. The commission fee income of the Company acting as a proxy for the purchase and sale of securities of the client shall be recognized when the liquidation of the above-mentioned purchase and sale of securities is settled with the client. The Company settles interest uniformly with customers and increases customer transaction settlement funds.

13. Accounting method for SRA (Sale and Repurchase Agreement) and PRA (Purchase and Resale Agreement)

PRA transaction refers to the purchase of related assets (including bonds and notes) from counter-parties at a fixed price under a contract or agreement, and the resale of the same financial products at agreed prices on the expiration date of the contract or agreement. Repurchase for resale is recorded according to the amount actually paid when buying and resale related assets and listed in "financial assets for resale" in the balance sheet.

SRA transaction refers to the sale of related assets (including bonds and notes) to counter-parties at a fixed price under a contract or agreement, and the repurchase of the same financial products at agreed prices on the expiration date of the contract or agreement. The payments actually paid for selling and repurchasing of relevant assets are recorded and are listed under the item " Financial assets sold under repurchase agreement" of the balance sheet. The financial products sold are still listed in the Group's balance sheet according to the original classification and are accounted for in accordance with the relevant accounting policies.

Interest income and expenses arising from PRA and SRA transactions are recognized at the effective interest rate during the period of resale or repurchase. If the difference between the actual interest rate and the agreed contractual interest rate is small, interest income and expenses are calculated according to the contractual interest rate.

According to the performance guarantee ratio of the contract, the company's stock pledge repurchase business fully consider the credit status, the duration of contract and the liquidity of the secured securities, restricted sales, concentration, volatility, performance guarantee and other factors to set up different warning line and closing positions. The closing position is not less than 130%.

Stage 1: the stock-pledged repurchase business that maintains a guarantee ratio greater than the closing position and is not overdue;

Stage 2: the stock-pledged repurchase business that maintains a guarantee ratio greater than 100% and less than or equal to the closing position, or the principal and interest are overdue, less than 90 days;

Stage 3: the stock-pledged repurchase business that maintains a guarantee ratio less than or equal to 100%, or the principal and interest are overdue, more than 90 days.

For the financial assets which are mentioned before in stage 1 and stage 2, the Company uses the risk parameter mode method, including key parameters such as default probability, default loss rate and credit risk exposure to evaluate the impairment reserve; for the financial assets in stage 3, the management has considered the forward-looking factors and made corresponding impairment provision by estimating the future cash flow relating to the financial asset. The main factors considered by the Company in calculating the defaults loss rate are: the market value of the collateral, the liquidity and the disposal cycle, the credit status of the financier and the repayment ability, etc.

For details of "Provisions for impairment of other financial assets purchased and resale agreement", please refer to Notes IV /10 (4). Impairment of financial assets.

14. Financial assets at fair value through other comprehensive income

For the determination method and accounting treatment method of the expected credit loss of the company's financial assets at fair value through other comprehensive income, please refer to this Notes IV /10 (4). Impairment of financial assets.

15. Long-term equity investments

(1) Determination of initial investment cost

a) For the long-term equity investments formed by business combination, please refer to Notes IV / 6. Accounting treatment method for business combination under the same control and not under the same control for the specific accounting policies.

b) Long-term equity investments obtained by other means

For the long-term equity investments obtained by paying cash, the actually paid purchase price shall be taken as the initial investment cost. The initial investment cost includes the expenses, taxes and other necessary expenses directly related to the acquisition of the long-term equity investments.

For the long-term equity investments obtained by issuing equity securities, the fair value of the issued equity securities shall be taken as the initial investment cost; the transaction expenses incurred when issuing or acquiring their own equity instruments can be deducted from equity if they are directly attributable to equity transactions.

On the premise that the non-monetary asset exchange has commercial substance and the fair value of the assets received or surrendered can be measured reliably, the initial investment cost of the long-term equity investments received from the non-monetary asset exchange shall be determined based on the fair value of the assets surrendered, unless there is conclusive evidence that the fair value of the assets received is more reliable. For the exchange of non-monetary assets that do not meet the above premise, the book value of the assets surrendered and the relevant taxes payable shall be taken as the initial investment cost of the long-term equity investments.

For the long-term equity investments obtained through debt restructuring, the initial investment cost shall be determined on the basis of fair value.

(2) Subsequent measurement and profit or loss recognition

a) Cost method

The long-term equity investments that the company can control over the investee is accounted by the cost method, priced according to the initial investment cost, and the cost of long-term equity investments is adjusted when adding or recovering the investment.

Except for the declared but not yet distributed cash dividends or profits included in the actually paid price or consideration when obtaining the investment, the company shall recognize the cash dividends or profits declared to be distributed by the investee as the current investment income.

b) Equity method

The company's long-term equity investments in associates and joint ventures is accounted by the equity method; Part of the equity investments of associated enterprises indirectly held by venture capital institutions, mutual funds, trust companies or similar entities including investment linked insurance funds are measured at fair value and their changes are included in profits or losses.

If the initial investment cost of the long-term equity investments is greater than the fair value share of the investee's identifiable net assets at the time of investment, the initial investment cost of the long-term equity investments shall not be adjusted; The difference between the initial investment cost and the fair value of the investee's identifiable net assets when the initial investment cost is less than the investment at the time of investment shall be included in the current profits or losses.

After the company obtains the long-term equity investments, the investment income and other comprehensive income shall be recognized respectively according to the share of the net profit or loss and other comprehensive income realized by the investee that should be enjoyed or shared, and the book value of the long-term equity investments shall be adjusted at the same time. The book value of the long-term equity investments shall be reduced accordingly according to the profits or cash dividends declared to be distributed by the investee; For other changes in the owner's equity of the invested entity other than net profit or loss, other comprehensive income and profit distribution, the book value of long-term equity investments shall be adjusted and included in the owner's equity.

When the company confirms its share of the net profit or loss of the investee, it shall be recognized after adjusting the net profit of the investee on the basis of the fair value of the identifiable assets of the investee when the investment is obtained. The unrealized internal transaction gains and losses that occur between the company and associates and joint ventures are calculated based on the proportion that should be enjoyed and the portion attributable to the company is offset, and the investment gains and losses are recognized on this basis.

When the company confirms that it should share the losses incurred by the investee, it shall be handled in the following order: first, offseting the book value of long-term equity investments. Secondly, if the book value of the long-term equity investments is insufficient to offset, the investment loss shall be recognized to the extent of the book value of other long-term equity that substantially constitutes the net investment in the investee, and the book value of long-term receivables shall be offset. Finally, after the above treatment, if the enterprise still undertakes additional obligations according to the investment contract or agreement, the estimated liabilities shall be recognized according to the estimated obligations and included in the current investment loss.

If the invested entity realizes profit in the subsequent period, the company shall, after deducting the unrecognized loss share, proceed in the reverse order of the above, decrease and write down the book balance of the confirmed estimated debt, and after restoring the book value of other long-term equity and long-term equity investments of net investment that actually constitute the net investment in the investee, the recognition of investment income shall be resumed.

(3) Conversion of long-term equity investments accounting methods

a) Transfer of fair value measurement to equity method accounting

The equity investment originally held by the company that does not have control, joint control or significant influence on the investee and is subject to accounting treatment according to the recognition and measurement standards of financial instruments, which can exert significant influence or joint control on the investee due to additional investment, but does not constitute control, The sum of the fair value of the originally held equity investment and the new investment cost determined in accordance with the accounting standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments shall be regarded as the initial investment cost accounted by the equity method.

If the initial investment cost calculated by the equity method is less than the difference between the fair value of the identifiable net assets of the investee on the additional investment date calculated and determined according to the new shareholding ratio after the additional investment, the book value of the long-term equity investments shall be adjusted according to the difference and included in the current non-operating income.

b) Fair value measurement or transfer from equity method to cost method

If the equity investment originally held by the company that has no control, joint control or significant impact on the invested entity and being subject to accounting treatment according to the recognition and measurement standards of financial instruments, or the long-term equity investments originally held in associates and joint ventures which can control the invested entity not under the same control due to additional investment and other reasons, when preparing individual financial statements, the sum of the book value of the originally held equity investment plus the new investment cost shall be regarded as the initial investment cost calculated according to the cost method.

Other comprehensive income recognized for the equity investment held before the acquisition date due to the adoption of the equity method shall be accounted for on the same basis as the investee's direct disposal of relevant assets or liabilities.

If the equity investment held before the acquisition date is subject to accounting treatment in accordance with the relevant provisions of the accounting standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments, the cumulative changes in fair value originally included in other comprehensive income shall be transferred to the current profit and loss when being accounted by cost method.

c) Transfer from equity method accounting to fair value measurement

If the company loses its joint control or significant influence on the investee due to the disposal of some equity investments, the remaining equity after disposal shall be accounted according to the accounting standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments, and the difference between its fair value and book value on the date of loss of joint control or significant influence shall be included in the current profits or losses.

Other comprehensive income recognized by the original equity investment due to the adoption of the equity method shall be accounted on the same basis as the invested entity's direct disposal of relevant assets or liabilities when the equity method is terminated.

d) Transfer of cost method to equity method

If the company loses control over the investee due to the disposal of some equity investments and other reasons, when preparing individual financial statements, if the residual equity after disposal can jointly control or exert significant influence on the investee, it shall be accounted for according to the equity method, and the residual equity shall be deemed to be accounted for and adjusted by the equity method since it is obtained.

e) Transfer of cost method to fair value measurement

If the company loses control over the investee due to the disposal of some equity investments, and the residual equity after disposal cannot exercise joint control or exert significant influence on the investee during the preparation of individual financial statements, the accounting treatment shall be carried out in accordance with the relevant provisions of the accounting standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments, The difference between the fair value and the book value on the date of loss of control shall be included in the current profits or losses.

(4) Disposal of long-term equity investments

For the disposal of long-term equity investments, the difference between its book value and the actually obtained price shall be included in the current profits or losses. For the long-term equity investments accounted by the equity method, the part originally included in other comprehensive income shall be accounted for according to the corresponding proportion on the same basis as the invested unit's direct disposal of relevant assets or liabilities.

If the terms, conditions and economic impact of various transactions for the disposal of equity investment in subsidiaries meet one or more of the following conditions, multiple transactions shall be accounted for as a package deal:

These transactions are concluded at the same time or taking into account mutual influence;

These transactions as a whole can achieve a complete business result;

The occurrence of one transaction depends on the occurrence of at least one other transaction;

A transaction is uneconomic alone, but it is economical when considered together with other transactions.

If the control over the original subsidiary is lost due to the disposal of part of the equity investment or other reasons, which is not a package deal, the relevant accounting treatment shall be carried out according to the individual financial statements and the consolidated financial statements:

a) In individual financial statements, the difference between the book value of the equity disposed and the actual price obtained is included in the current profit and loss. If the residual equity after disposal can exercise joint control or exert significant influence on the investee, it shall be accounted for according to the equity method, and the residual equity shall be deemed to be accounted for and adjusted by the equity method since it is obtained. If the remaining equity after disposal cannot exercise joint control or exert significant influence on the investee, it shall be accounted for in accordance with the relevant provisions of the accounting standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments, and the difference between its fair value and its book value on the date of loss of control shall be included in the current profits or losses.

b) In the consolidated financial statements, for each transaction before losing control over the subsidiary, the difference between the disposal price and the share of net assets of the subsidiary continuously calculated from the purchase date or the combination date corresponding to the disposal of long-term equity investments shall be adjusted to the capital reserve (capital stock premium). If the capital reserve is insufficient to be offset, the retained earnings shall be adjusted. When the control over the subsidiary is lost, the remaining equity shall be re measured according to its fair value on the date of loss of control. The difference between the sum of the consideration obtained from the disposal of equity and the fair value of the remaining equity minus the share of the net assets of the original subsidiary continuously calculated from the purchase date according to the original shareholding ratio shall be included in the investment income of the current period when the control right is lost, and the goodwill shall be offset at the same time. Other comprehensive income related to the equity investment of the original subsidiary is transferred to the current investment income when the control right is lost.

If the transactions from the disposal of equity investment in subsidiaries to the loss of control are package transactions, each transaction shall be treated as a transaction for the disposal of equity investment in subsidiaries and the loss of control, and relevant accounting treatment shall be carried out by distinguishing individual financial statements from consolidated financial statements:

i. In individual financial statements, the difference between each disposal price and the book value of the long-term equity investments corresponding to the equity disposed before the loss of control is recognized as other comprehensive income, which is transferred to the profit or loss of the current period when the control is lost.

ii. In the consolidated financial statements, the difference between each disposal price and the share of net assets of the subsidiary corresponding to the disposal of investment before the loss of control is recognized as other comprehensive income, which is transferred to the profit or loss of the current period when the control is lost.

(5) Judgment criteria for joint control and significant impact

If the company collectively controls an arrangement with other participants in accordance with relevant agreements, and the activity decision that has a significant impact on the return of the arrangement exists only with the unanimous consent of the participants sharing the control right, it is deemed that the company and other participants jointly control an arrangement, which is a joint venture arrangement.

If the joint venture arrangement is reached through a separate entity, and the company is judged to have rights to the net assets of the separate entity according to relevant agreements, the separate entity shall be regarded as a joint venture and accounted with the equity method. If it is judged that the company does not have rights to the net assets of the individual entity according to relevant agreements, the individual entity shall be regarded as joint operation, and the company shall recognize the items related to the share of interests in joint operation and conduct accounting treatment in accordance with the provisions of relevant accounting standards for business enterprises.

Significant influence means that the investor has the right to participate in the decision-making of the financial and operating policies of the invested entity, but cannot control or jointly control the formulation of these policies with other parties. The company judges that it has a significant impact on the investee through one or more of the following circumstances and comprehensively considering all facts and circumstances: (1) send representatives to the board of directors or similar authorities of the invested entity (2) participate in the formulation of financial and operating policies of the invested entity (3) Important transactions with the investee (4) dispatch management personnel to the invested equity (5) provide key technical data to the invested equity.

16. Investment properties

Investment properties includes buildings that have been leased out.

Investment properties is initially measured at its cost. The cost of the purchased investment real estate includes the purchase price, relevant taxes and fees and other expenses directly attributable to the asset; The cost of self-construction of an investment real estate consists of the necessary expenses incurred before the construction of the asset reaches its intended serviceable state.

Subsequent to initial recognition, the Group adopts the cost model to account for its investment properties. According to its expected service life and net salvage to use the average life method of depreciation or amortization.

The estimated useful lives, depreciation rate and estimated residual value rate of investment properties are as follows:

Type of assets	Estimated useful lives (Years)	Estimated residual values (%)	Yearly depreciation (Amortization) (%)
Building	40.00	5.00	2.38

When the use purpose of investment properties is changed for self-use, the investment properties will be converted into fixed assets or intangible assets from the date of change. When the use purpose of self-use property is changed to earn rent or capital appreciation, the fixed assets or intangible assets will be converted into investment properties from the date of change. When conversion occurs, the book value before conversion is converted into account value.

When an investment properties is disposed of, or is permanently withdrawn from use and is not expected to obtain economic benefits from its disposal, the investment properties shall be terminated. The amount of the disposal income of the investment properties sold, transferred, scrapped or damaged shall be included in the current profits or losses after deducting the book value and relevant taxes and fees.

17. Fixed assets

Fixed assets are tangible assets held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and expected to be used during more than one accounting year with more than RMB 2,000.00.

Fixed assets include operating houses, non-business houses, simple houses, buildings, machinery and equipment, power equipment, transportation equipment, electronic equipment, communications equipment, electrical equipment, security and defense equipment, office equipment, as the value of the recorded costs at the time of acquisition, including the purchase price and import duties and other related taxes and fees, as well as other expenses incurred before the fixed assets reach the intended use status can be directly attributed to the asset; Consisting of the necessary expenditure incurred before the asset is constructed to its intended use, the fixed assets invested by the investor shall be recorded at the value agreed upon in the investment contract or agreement, but the value agreed upon in the contract or agreement shall be recorded at fair value.

If the subsequent expenditures related to fixed assets, including repair expenditures and renovation expenditures, meet the conditions for the recognition of fixed assets, they shall be included in the cost of fixed assets, and the book value of the replaced part shall be terminated. If the fixed assets fail to meet the conditions for recognition, they shall be recorded into the current profits or losses when they occur.

The Group shall make depreciation for all the fixed assets except the fixed assets which have been fully depreciated but are still in use and the land which is separately priced and recorded. Depreciation is calculated using the life average method, and according to the use of the cost of the relevant assets or current expenses.

The estimated useful lives, residual value proportions and the annual depreciation rates of fixed assets by categories are as follows:

Categories	Depreciation method	Estimated useful lives(years)	Estimated residual values (%)	Yearly depreciation (%)
Business buildings	life average method	40.00	5.00	2.38
Non-business buildings	life average method	35.00	5.00	2.71
Makeshift house	life average method	5.00	5.00	19.00

Categories	Depreciation method	Estimated useful lives(years)	Estimated residual values (%)	Yearly depreciation (%)
Structures	life average method	20.00	5.00	4.75
Machinery equipment	life average method	10.00	5.00	9.50
Power equipment	life average method	15.00	5.00	6.33
Communication equipment	life average method	5.00	5.00	19.00
Electronic equipment	life average method	5.00	5.00	19.00
Electrical equipment	life average method	5.00	5.00	19.00
Security equipment	life average method	5.00	5.00	19.00
Office facilities	life average method	5.00	5.00	19.00
Other transport facilities	life average method	8.00	5.00	11.88

At the end of each year, the Group shall review the expected service life, expected net residual value and depreciation method of the fixed assets. If there is any change, it will be treated as accounting estimate change.

Property and equipment are derecognized on disposal or when no future economic benefits are expected from their use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of property and equipment net of their carrying amounts and related taxes and expenses is recognized in the current profits or losses.

18. Construction in progress

(1) Initial measurement of construction in progress

The construction in progress built by the company itself is valued at the actual cost, which consists of the necessary expenses incurred before the construction of the asset reaches the expected serviceable state, and the self-operated construction project is measured by direct materials, direct wages, direct construction costs, etc. The construction works out of the package shall be measured according to the project price payable; The project cost shall be determined according to the value of the equipment installed, the installation cost, the expenses incurred in the trial operation of the project, etc. The cost of construction in progress also includes borrowing costs and exchange gains and losses that should be capitalized.

(2) Standard and time point for carrying forward construction in progress to fixed assets

For construction in progress, all expenses incurred before the asset reaches the expected usable state shall be regarded as the entry value of fixed assets. If the construction in progress has reached the expected serviceable state, but the completion settlement has not been handled, from the date of reaching the expected serviceable state, it shall be transferred into fixed assets according to the estimated value according to the project budget, cost or actual cost of the project, and the depreciation of fixed assets shall be accrued according to the company's fixed assets depreciation policy. After the completion settlement is handled, the original estimated value is adjusted according to the actual cost, but the accrued depreciation amount is not adjusted.

19. Borrowing costs

(1) Recognition principle of capitalization of borrowing costs

If the borrowing costs incurred by the company can be directly attributable to the acquisition, construction or production of assets eligible for capitalization, they shall be capitalized and included in the cost of relevant assets; Other borrowing costs shall be recognized as expenses according to the amount incurred and included in the current profits or losses.

Assets eligible for capitalization refer to fixed assets, investment real estate and inventories that need a long time of purchase and construction or production activities to reach the expected usable or marketable state.

Borrowing costs shall be capitalized when the following conditions are met simultaneously:

a) Asset expenditure has occurred, including the expenditure incurred in the form of cash payment, transfer of non-cash assets or bearing interest bearing liabilities for the acquisition and construction or production of assets eligible for capitalization;

b) Borrowing costs have occurred;

c) The acquisition and construction or production activities necessary to make the assets ready for the intended use or sale have begun.

(2) Capitalization period of borrowing costs

The capitalization period refers to the period from the time point when the borrowing costs are capitalized to the time point when the capitalization is stopped. The period during which the capitalization of borrowing costs being suspended is not included.

When the assets eligible for capitalization are purchased, constructed or produced to reach the expected serviceable or marketable state, the capitalization of borrowing costs shall be stopped.

When some items of assets eligible for capitalization are completed and can be used separately, the capitalization of borrowing costs of such assets shall be stopped.

If each part of the asset purchased, constructed or produced is completed separately, but it cannot be used or sold until the overall completion, the capitalization of borrowing costs shall be stopped when the asset is completed as a whole.

(3) Period of suspension of capitalization

If the acquisition, construction or production of assets eligible for capitalization is interrupted abnormally for more than 3 consecutive months, the capitalization of borrowing costs shall be suspended; If the interruption is a necessary procedure for the acquisition, construction or production of assets eligible for capitalization to reach the expected serviceable state or marketable state, the borrowing costs will continue to be capitalized. The borrowing costs incurred during the interruption period shall be recognized as current profits or losses until the acquisition and construction or production activities of assets restart.

(4) Calculation method of capitalization amount of borrowing costs

The interest expenses of special loans (deducting the interest income obtained from the unused loan funds deposited in the bank or the investment income obtained from temporary investment) and their auxiliary expenses shall be capitalized before the assets purchased, constructed or produced that meet the capitalization conditions reach the expected usable or marketable state.

Calculate and determine the amount of interest that should be capitalized on the general borrowings based on the weighted average of the cumulative asset expenditures exceeding the portion of the special borrowings multiplied by the capitalization rate of the general borrowings occupied. The capitalization rate is calculated and determined based on the weighted average interest rate of general borrowings.

Where there are discounts or premiums on loans, the amount of discounts or premiums that should be amortized in each accounting period shall be determined in accordance with the actual interest rate method, and the amount of interest in each period shall be adjusted.

20. Right-of-use assets

The right-of-use assets are initially measured at cost, which includes:

(1) The initial measurement amount of lease liabilities;

(2) For the lease payment paid on or before the beginning of the lease term, if there is lease incentive, the relevant amount of lease incentive enjoyed shall be deducted;

(3) The initial direct expenses incurred by the lessee;

(4) The cost of dismantling and removing the leased assets, restoring the site of the leased assets or restoring the leased assets to the state agreed in the lease terms.

After the beginning of the lease term, the company uses the cost model to carry on the follow-up measurement to the right-of-use assets.

If it can be reasonably determined that the ownership of the leased asset will be obtained at the end of the lease term, the company shall calculate and draw depreciation within the remaining service life of the leased asset. If it is impossible to reasonably determine whether the ownership of the leased asset can be obtained at the end of the lease term, the company shall make depreciation within the shorter of the lease term and the remaining service life of the leased asset. For the right-of-use assets with provision for impairment, depreciation shall be accrued according to the book value after deducting the provision for impairment in the future with reference to the above principles.

21. Intangible assets

Intangible assets, including land-use rights, trading seats and software, etc., which are measured at the actual cost at the time of acquisition. For the purchased intangible assets, the actual cost is the actual payment price and other related expenses. The actual cost of the intangible assets invested by the investor shall be determined at the value agreed in the investment contract or agreement, but if the value agreed in the contract or agreement is not fair, the actual cost shall be determined at the fair value.

The land-use right acquired is averagely amortized according to the service life of the land-use right. The trading seat fee, software and others acquired are amortized according to the shortest of the excepted service life, the benefit period which stipulated in the contract and the effective life stipulated by law. The amortized amount is included in the relevant asset cost and current profit and loss.

The estimated service life and amortization method of intangible assets with limited-service life are reviewed at the end of each year, and if it changes, it is treated as a change in accounting estimates. At the end of each year, the estimated service life of intangible assets with uncertain service life is reviewed. If there is evidence that the service life of intangible assets is limited, the service life should be estimated and amortized during that period.

22. Impairment of long-term non-financial assets

Long-term equity investments, investment properties, fixed assets, construction in progress, intangible assets with limited useful lives are tested for impairment if there is any indication that the assets may be impaired at the statement of financial position date. For goodwill and intangible assets with uncertain service life, impairment tests shall be conducted at the end of each year regardless of whether there is any indication of impairment. If it is difficult to test the recoverable amount of a single asset, the test shall be based on the asset group or combination of the asset group to which the asset belongs.

If the result of the impairment test indicates that the recoverable amount of an asset is less than it carrying amount, an allowance for impairment and an impairment loss are recognized in accordance with the difference. If The provision for the aforesaid assets is recognized, it shall not be reversed in subsequent accounting periods. The recoverable amount of an asset is the higher between the net value of the fair value of the asset minus the disposal expense and the present value of the expected future cash flow of the asset.

The signs of impairment are as follows:

(1) The market price of assets has fallen sharply in the current period, and the decline is significantly higher than the expected decline due to the passage of time or normal use.

(2) There is adverse impact of the Company, because of the changing of the economic, technological, legal environment which enterprise operates and the market in.

(3) The market interest rate or other market investment return rate has increased in the current period, which affects the discount rate of the enterprise to calculate the present value of the expected future cash flow of the asset, and resulting in a substantial reduction in the asset's recoverable amount.

(4) There is evidence that the asset has become obsolete or its entity has been damaged.

(5) Assets have been or will be idled, terminated, or planned for disposal in advance.

(6) The evidence in the internal report of the Company indicates that the economic performance of the asset has been lower or will be lower than expected, such as the net cash flow created by the asset or the realized operating profit (or loss) is much lower (or higher) than the expected.

(7) Other signs that assets may have been impaired.

23. Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Company's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquire at the date of acquisition.

Goodwill related to subsidiaries is listed separately in consolidated financial statements, while goodwill related to associates and joint ventures is included in the book value of long-term equity investments.

Goodwill listed separately in the financial statements, with the impairment test once a year, whether there is any sign of impairment. During the impairment test, the book value of goodwill is allocated to the asset group or group of asset groups expected to benefit from the synergies of the business combination. If the test results indicate that the recoverable amount of the asset group or combination of asset groups containing the allocated goodwill is lower than its book value, the corresponding impairment loss is recognized. The amount of the impairment loss is offset the book value of goodwill allocated to the asset group or combination of assets group and then according to the proportional to the book value of other assets except goodwill to offset book value of other assets.

24. Long-term deferred expenses

The long-term deferred expenses of the group refer to the expenses that have been paid but should be borne in the current and future periods with an amortization period of more than 1 year (excluding 1 year), which are amortized evenly in the benefit period. If the long-term deferred expenses are no longer beneficial to the subsequent accounting periods, the unamortized balance is then transferred to profit or loss for the period.

25. Employee benefits

Employee benefits refers to various forms of benefits or compensation given by the company to obtain services provided by employees or terminate labor relations. Employee benefits includes short-term salary, post-employment welfare, dismissal welfare and other long-term employee welfare and other expenses related to obtaining services provided by employees.

(1) Short-term benefits

Short-term benefits refers to the employee benefits that the company needs to pay in full within twelve months after the end of the annual reporting period in which employees provide related services, excluding post-employment benefits and termination benefits. The company recognizes the short-term salary payable as a liability during the accounting period when the employees provide services, and includes them in the relevant asset costs and expenses based on the beneficiaries of the services provided by the employees.

(2) Post-employment benefits

Post-employment benefits refer to various forms of benefits and welfare provided by the Group after the employee retires or dissolves the labor relationship with the Group in order to obtain the services provided by the employee, except short-term benefits and dismissal welfare. Post-employment benefits are divided into a defined contribution plan and a defined benefit plan. The defined contribution plan for post-employment benefits is mainly for participation in the social basic pension insurance and unemployment insurance organized by the labor and social security agencies. During the accounting period in which an employee provides services for the Group, the amount that should be paid according to the defined contribution plan shall be recognized as liabilities and included in the current profits or losses or the cost of relating assets. Defined benefit plans are after-service benefit plans other than defined contribution plans.

(3) Termination benefits

Termination benefits refer to the company's termination of the labor relationship with employees before the expiration of the employee's labor contract, or the compensation given to employees to encourage employees to voluntarily accept reductions. When the company cannot unilaterally withdraw the labor relationship termination plan or layoff proposal or recognize the costs and expenses related to the restructuring involving the payment of dismissal benefits, whichever is earlier, the liabilities arising from the compensation for the termination of labor relationship with employees shall be recognized and included in the current profits or losses.

The company provides early retirement benefits to employees who accept internal retirement arrangements. Early retirement welfare refers to the wages and social insurance premiums paid to employees who have not reached the retirement age stipulated by the state and voluntarily quit their jobs with the approval of the company's management. The company pays internal retirement benefits to employees who have retired from the date of the start of the internal retirement arrangements until the employees reach the normal retirement age. For early retirement benefits, the company conducts accounting treatments in accordance with termination benefits. When the relevant confirmation conditions for termination benefits are met, the wages and social insurance premiums to be paid for early retirement employees during the period from the employee's stop of service to the normal retirement date being confirmed as liabilities are included in the current profit and loss at one time. Differences caused by changes in actuarial assumptions of early retirement benefits and adjustments to welfare standards are included in the current profits or losses when they occur.

(4) Other long-term employee benefits

Other long-term employee benefits refer to all employee benefits except short-term salary, post-employment welfare and termination benefits.

The employees of the Group participate in the enterprise annuity plan established by the Group in accordance with the relevant policies of the national enterprise annuity system on the basis of participating in the social basic pension insurance. The expenses required for the annuity shall be paid jointly by the group and the employees The Company's total contribution is 8% of the employee 's total salary for the previous year, and the employee 's individual contribution is 2% of the employee 's total salary for the previous year.

If the group decides to terminate the labor relationship with the employee before the expiration of the employee's labor contract, or puts forward compensation suggestions to encourage the employee to accept the layoff voluntarily, if the group has formulated a formal plan to terminate the labor relationship or put forward a voluntary layoff proposal and will implement it soon, at the same time, the group cannot unilaterally withdraw the plan to terminate the labor relationship or layoff proposal, The estimated liabilities arising from compensation for the termination of labor relations with employees shall be recognized and included in the current profits or losses.

Regarding the internal retirement plan implemented by the Group, the dismissal benefit will be dealt same as termination benefit, because this part of employees no longer brings the economic benefit to the enterprise. When the early retirement plan meets the recognition conditions specified in the employee benefits standards, according to the provisions of the internal retirement plan, the period from the day when the employee stops providing services to the normal retirement date, the Group's planned retirement salary and social insurance premiums, etc., are confirmed as the estimated liabilities, which are included in the current profit and loss.

26. Estimated liabilities

(1) Recognition standard of estimated liabilities

When the obligations related to contingencies meet the following conditions at the same time, the company shall recognize them as provisions:

a) The obligation is the current obligation of the Company;

b) The fulfillment of the obligation is likely to cause economic benefits to flow out of the Company;

c) The amount of the obligation can be measured in a reliable way.

(2) Measurement method of estimated liabilities

The provisions of the company are initially measured according to the best estimate of the expenses required to perform relevant current obligations.

When determining the best estimate, the company comprehensively considers the risks, uncertainties, time value of money and other factors related to contingencies. If the time value of money has a significant impact, the best estimate is determined by discounting the relevant future cash outflow.

The best estimate shall be handled as follows:

If the required expenditure has a continuous range (or interval) and the possibility of various results within the range is the same, the best estimate is determined according to the middle value of the range, that is, the average of the upper and lower limits.

If the required expenditure does not have a continuous range (or interval), or although there is a continuous range, the possibility of various results within the range is different. If the contingency involves a single item, the best estimate shall be determined according to the most likely amount; If the contingency involves multiple projects, the best estimate shall be calculated and determined according to various possible results and relevant probabilities.

If all or part of the expenses required by the company to pay off the estimated liabilities are expected to be compensated by a third party, the compensation amount shall be recognized separately as an asset when it is basically determined that it can be received, and the recognized compensation amount shall not exceed the book value of the provisions.

27. Lease liabilities

The company initially measures the lease liabilities according to the present value of the unpaid lease payments at the beginning of the lease term. When calculating the present value of lease payments, the company adopts the interest rate embedded in the lease as the discount rate; If the embedded interest rate of the lease cannot be determined, the incremental loan interest rate of the company shall be used as the discount rate. Lease payments include:

1) Fixed payment amount and actual fixed payment amount after deducting relevant amount of lease incentive;

2) Variable lease payments depending on index or ratio;

3) When the company reasonably determines that the option will be exercised, the lease payment

includes the exercise price of the purchase option;

4) Where the lease term reflects that the company will exercise the option to terminate the lease, the lease payment includes the payment required to exercise the option to terminate the lease;

5) The amount expected to be paid according to the guaranteed residual value provided by the company.

The company calculates the interest expense of the lease liability in each period of the lease term according to the fixed discount rate and records it into the current profit and loss or relevant asset cost.

The amount of variable lease payments not included in the measurement of lease liabilities shall be included in the current profit or loss or relevant asset costs when actually incurred.

28. General risk reserve and transaction risk reserve

According to "Financial Rules for Financial Enterprises" and "Notice on the 2007 Annual Report of Securities company" (SFC [2007] No.320), the Company and its subsidiaries calculate the general risk reserve according to 10% of after-tax profit (reducing make up losses) for the year. At the same time, the Group follows the "Operational Guidelines for the Application of the "Opinions on Regulating Asset Management Business of Financial Institutions" to the Large Collection Asset Management Business of Securities Companies" (China Securities Regulatory Commission Announcement [2018] No. 39) and the "Public Offer Open-end Securities Investment Fund Liquidity Risk Management Requirements" provision for asset management business risk reserve.

In accordance with the Provisions of the Securities Law and the CSRC [2007] No 320, the transaction risk reserve shall be withdrawn according to 10% of the current net profit after making up the loss.

In order to reduce the repayment risk of bonds, the proportion of discretionary surplus reserve and the proportion of general risk reserve are increased during the duration of bonds, which is withdrawn according to 5% of the current net profit after making up the loss, as deliberated and approved by the 14th meeting of the 4th board of directors and the 6th extraordinary general meeting of shareholders in 2013, The general risk reserve shall be withdrawn according to 11% of the current net profit after making up the loss. In case of failure to pay the principal and interest of the bond on schedule or failure to pay the principal and interest of the bond on schedule at maturity, the company will withdraw the discretionary surplus reserve according to 10% of the current net profit after making up the loss during the remaining duration of the bond, and the general risk reserve according to 12% of the current net profit after making up the loss.

29. Revenue

The revenue of the Group is recognized when the customer obtains the control rights of the relevant commodities (referring to the commodities or services) by performing the performance obligations of the contract. To gain control over the relevant goods means that the customer can dominate the use of the goods and get almost all the economic benefits from them.

Performance obligation means the transfer of the Group's commitment to the customer that clearly distinguishes between goods or services. Both express commitments in the contract and commitments that the customer reasonably expects the Group to perform at the time the contract is entered into based on the Group's publicly announced policies, specific statements or past practices.

The Group evaluates the contract at the beginning of the contract, identifies each individual performance obligation contained in the contract, and determines whether each individual performance obligation should be performed within a certain period of time or at a certain point. If one of the following conditions is met, the contract obligations shall be fulfilled within a certain period of time; otherwise, the performance of a contractual obligation at a certain point:

(1) The customer concurrently receives and consumes the benefits provided by the entity's performance as the entity performs.

(2) The customer can control the goods that are under construction during the Group's contract execution.

(3) The entity's performance does not create an asset with an alternative use and the entity has a right to payment for performance completed to date.

For the performance obligations performed within a certain period of time, the Group recognizes the revenue according to the performance progress within that period of time. When the performance schedule cannot be reasonably determined, if the costs incurred by the group are expected to be compensated, the revenue shall be recognized according to the amount of costs incurred until the performance schedule can be reasonably determined. For the performance obligation performed at a certain time point, the Group recognizes the revenue when the customer obtains the control over the relevant goods.

The Group has transferred the goods or services to customers and has the right to receive consideration (and the right depends on factors other than the passage of time). As a contract asset, the impairment based on ECL. The right of the Group to charge the customer unconditionally (only depends on the passage of time) is listed as a receivable. The Group's obligation to transfer the goods or services, because the Group received or get receivable from the customer's consideration, which should be listed as contract liabilities.

The specific accounting policies relating to the Group's main business to revenue as follow:

a) Handling fee and commission income

The handling fee income from buying and selling securities on behalf of customers shall be recognized on the trading day of securities trading.

The income from securities underwriting shall be recognized when the company completes the performance obligations in the underwriting contract.

The income from the asset management business of the entrusted customer, when the entrusted management contract expires and is settled with the entrusting unit, the profit or loss that should be enjoyed by the Company is calculated according to the proportion specified in the contract and recognized as the current gain or loss. If the contract stipulates that the Company charges management fees and performance compensation fees in accordance with the agreed proportions, the management fees and performance compensation gains shall be confirmed in installments.

The income from issuance recommendation, financial consulting business and investment consulting business shall be recognized during the performance of the company's performance obligations or at the time of completion of the performance obligations according to the terms of the contract.

b) Interest income

When the relevant income can be measured reliably and relevant economic benefits can be received, the interest income is recognized according to the time of fund utilization and the agreed interest rate. If there is little difference between the actual interest rate and the contractual interest rate, the interest income shall be calculated according to the contractual interest rate.

The financial assets held under resale agreements due in the current period, the difference between the resale price and the purchase price shall be recognized as the income in the current period; If there is no maturity in the current period, the interest accrued and withdrawn at the end of the period shall be recognized as the current income according to the amortized cost and the actual interest rate; if there is a small difference between the actual interest rate and the contractual interest rate, the income shall be recognized as the current income according to the contractual interest rate.

c) Investment income

The Group recognizes the difference between its fair value and the initial recorded amount when disposing of financial assets at fair value through profit or loss as investment income, and at the same time adjusts the profit and loss of changes in fair value. When disposing of FVOCI, the difference between the sum of the acquired price and the original value directly included in the cumulative amount of changes in the fair value of other comprehensive income and the book value of the financial asset is included in the investment income.

For long-term equity investments accounted for using the cost method, the cash dividends or profits declared by the investee are recognized as current investment income. For long-term equity investments accounted for using equity method, the investment income are the share enjoyed by the company of calculated based on the net profit.

30. . Accounting method for the client asset management business

The company's customer asset management business includes collective asset management business, single asset management business and special asset management business. The company is entrusted to operate collective asset management business, single asset management business and special asset management business, with custody customers or collective plans as the main body, independent establishment of accounts, independent accounting, and not listing in the company's financial statements.

31. Government grants

The government grants relating to assets means the government grants which are obtained by the Group for purchasing or others long-term assets. The government grants relating to revenue means the except the government grants related assets. If the grant's target is not clearly specified in the government documents, the Group will make judgments according to the above principle of distinction. If it is difficult to distinguish, the whole is classified as a government subsidy relating to income.

If the government grant is a monetary asset, it is measured according to the amount actually received. For the grant paid according to a fixed standard, or there is evidence at the end of the year that can meet the relevant conditions specified in the financial support policy and is expected to receive financial support funds, which measured according to the amount actually receivable. If the government grant is a non-monetary asset, it should be measured at its fair value. If its fair value cannot be obtained reliably, it shall be measured at its nominal amount (RMB 1.00).

The government grants related to the asset shall be recognized as deferred income, and the government grants related to the asset shall be recognized as deferred income and be recorded into the current profit and loss in stages within the service life of the relevant asset.

When the related assets of this are sold, transferred, scrapped or destroyed before the end of their useful lives, the related unallocated balance of deferred revenue is transferred to profit or loss in the period of disposal of the asset.

Government grants related to revenue that compensate for related costs or losses in subsequent periods are recognized as deferred revenue and recognized in current profit or loss in the period in which the related costs or losses are recognized. Government grants related to day-to-day business are included in other gains or charged against related costs, based on the substance of economic operations. Government grants not related to day-to-day business are included in non-operating income.

When the Group receives a policy preferential loan subsidy, it is distinguished between cases in which the finance disburses the subsidy funds to the lending bank and cases in which the finance disburses the subsidy funds directly to the Group, and the accounting is treated according to the following principles:

(1) If the treasury disburses the discounted funds to the lending bank, which provides the loan to the Group at the policy preferential interest rate, the Group uses the actual amount of the loan received as the recorded value of the loan and calculates the related borrowing costs based on the principal of the loan and the policy preferential interest rate (or uses the fair value of the loan as the recorded value of the loan and calculates the borrowing costs according to the effective interest rate method, the difference between the actual amount received and the fair value of the loan is recognized as deferred income. Deferred income is amortized over the life of the borrowing using the effective interest method, less related borrowing costs).

(2) The treasury disburses the discounted funds directly to the Group, and the corresponding discount is offset against the related borrowing costs.

The Group's recognized government grants that are required to be returned are accounted for in the current period in which they are required as follows:

a) If the book value of relevant assets is offset at initial recognition, the book value of assets shall be adjusted.

b) Where a related deferred income exists, the carrying amount of the related deferred income is reduced and the excess is recognized in profit or loss in the current period.

c) In other cases, they are recognized directly in profit or loss for the current period.

32. Deferred income tax assets and deferred income tax liabilities

Deferred income tax assets and deferred income tax liabilities are calculated and recognized according to the difference (temporary difference) between the tax basis of assets and liabilities and their book value. On the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the applicable tax rate during the period when the asset is expected to be recovered or the liability is expected to be settled.

(1) Basis for recognition of deferred income tax assets

The company recognizes the deferred income tax assets arising from the deductible temporary differences to the extent that it is likely to obtain the taxable income that can be used to offset the deductible temporary differences and carry forward the deductible losses and tax credits in subsequent years. However, deferred income tax assets arising from the initial recognition of assets or liabilities in transactions with the following characteristics shall not be recognized: 1) the transaction is not a business combination 2) when the transaction occurs, it will not affect the accounting profit, taxable income or deductible loss.

For the deductible temporary difference related to the investment of associated enterprises, if the following conditions are met at the same time, the corresponding deferred income tax assets are recognized: the temporary difference is likely to be reversed in the foreseeable future, and the taxable income used to offset the deductible temporary difference is likely to be obtained in the future.

(2) Basis for recognition of deferred income tax liabilities

The company recognizes the taxable temporary differences payable and unpaid in the current period and previous periods as deferred income tax liabilities. But excluding:

a) Temporary differences arising from the initial recognition of goodwill;

b) Temporary differences arising from the transactions or events formed by non-business combination, and the occurrence of such transactions or events will not affect neither accounting profits nor temporary differences formed by taxable income (or deductible losses);

c) For the taxable temporary difference related to the investment of subsidiaries and associated enterprises, the reversal time of the temporary difference can be controlled, and the temporary difference is likely not to be reversed in the foreseeable future.

33. Leases

A lease is a contract in which the lessor gives up the right to use the asset to the lessee for consideration for a certain period of time.

(1) The group as the lessee

At the beginning of the lease term, the Group recognizes a right-of-use asset and lease liability for the lease. The Group uses the straight-line method of depreciation for right-of-use assets. At the balance sheet date, the Group assesses whether the right-of-use assets are impaired and accounts for the identified impairment losses.

The lease liability is initially measured at the present value of the lease payments outstanding at the beginning of the lease term. The Group calculates interest expense on the lease liability at a fixed periodic rate (i.e., discount rate) for each period of the lease term and recognizes it in current profit or loss or the cost of the asset.

The Group has decided not to recognize right-of-use assets and lease liabilities for short-term leases (leases with lease terms of up to 12 months) and low-value asset leases. And the Group has charged the related lease payments to current profit or loss or the related cost of the asset on a straight-line basis over the various periods of the lease term.

(2) The group as the lessor

Leased assets under operating leases are recognized as rental income by a straight-line basis.

34. Income tax

The balance sheet liability method is used for income tax accounting. Income tax expense includes current income taxes and deferred income taxes. Except that the current income tax and deferred income tax related to transactions and events directly included in shareholders' equity are included in shareholders' equity, and the book value of goodwill is adjusted by deferred income tax generated from business combination, the remaining current income tax and deferred income tax expenses or income are included in current profits or losses.

Current income tax is the amount due to the tax authorities for transactions and events occurring in the current period, as determined by the enterprise in accordance with tax regulations; deferred income tax is the difference between the amount of deferred income tax assets and deferred income tax liabilities that should be recognized under the balance sheet liability method at the end of the period relative to the amount originally recognized.

35. Segment information

The Group determines its operating segments based on its internal organizational structure, management requirements, and internal reporting system, while the report segment is determined based on the operating segment. An operating segment is a component of the Group that meets the following conditions simultaneously: the component is able to generate income and incur expenses in its day-to-day business; the Group's management is able to periodically evaluate the operating results of the component in order to decide on the allocation of resources to it and evaluate its performance; the Group has access to accounting information on the financial position, operating results and cash flows of the component, with inter-segment transfer prices determined by reference to market prices.

36. Held for sale and terminate operations

(1) Held-for sale assets

When the group recovers its book value mainly through the sale rather than continuous use of a non-current asset or disposal group, the non-current asset or disposal group is classified as held for sale.

Disposal group refers to a group of assets disposed of as a whole through sale or other means in a transaction, as well as the liabilities directly related to these assets transferred in the transaction.

The Group classifies non-current assets or disposal groups that meet the following conditions as held for sale:

a) The non-current asset or disposal group is immediately available for sale in its current condition, in accordance with the practice of selling such assets or disposal groups in similar transactions.

b) A sale is extremely likely to occur where the Company has resolved on a plan of sale and has entered into legally binding purchase agreements with other parties. The sale is expected to be completed within a year.

The group makes initial measurement and subsequent measurement on the non-current assets held for sale (excluding financial assets and deferred income tax assets) or disposal group according to the lower of the book value and the net amount after the fair value minus the selling expenses. The difference between the book value and the net amount after the fair value minus the selling expenses is recognized as asset impairment loss and included in the current profits or losses.

(2) Terminate operations

The Group will discontinue operations as defined by a separately distinguishable component that meets one of the following conditions and that has been disposed of or classified as holding for sale by the Group:

a) The component represents a separate principal operation or a separate principal area of operation.

b) The component is part of an associated plan to dispose of a separate principal operation or a separate principal area of operation.

c) This component is a subsidiary acquired specifically for resale.

For terminate operations reported in the current period, and reported in the profit and loss from continuing operations and the profit or loss from discontinued operations separately in the current period's income statement. At the same time, in the income statement of the comparative period, the information previously reported as continuing operation profits or losses is restated as the discontinued operation profits or losses of the comparable accounting period.

37. Significant accounting judgments and estimates

During the preparation of the Group's financial statements, management will make judgments, estimates and assumptions about the impact of future uncertainties on revenue, expenses, assets and liabilities, and disclosure of contingent liabilities. The reality may differ from these estimates. Management continuously evaluates the judgment of the key assumptions and uncertainties involved in the estimation. The impact of a change in accounting estimates is recognized during the change period and in future periods.

The following accounting estimates and key assumptions carry a significant risk of causing significant adjustments to the carrying values of assets and liabilities in future periods.

(1) Provision for impairment of financial assets

The Group recognizes a provision for impairment on the basis of ECL on AC, FVOCI, financing operations (including margin trading and short selling, agreed repurchase, stock-pledged repurchase, etc.), and currency market disposals (loans) of funds or securities, receivable, etc.

Based on the classification and nature of the above financial assets, combined with its own risk management practices and the relevant requirements of impairment guidelines, the group comprehensively considers the time value of money and relevant past events that can be obtained without unnecessary additional costs or efforts on the balance sheet date on the basis of probability weighted average, to establish an expected credit loss model to measure the impairment loss of the above financial instruments based on the reasonable and reliable information predicted by the current and future economic conditions. The relevant assumptions, parameters, data sources and measurement procedures of the expected credit loss model require the group to make professional judgment. Changes in the assumptions of these relevant factors will have an impact on the calculation results of the expected credit loss of financial instruments.

The Group uses an expected credit loss model to evaluate the impairment of financial assets and the application of the expected credit loss model requires making significant judgments and estimates such as the probability of default, the rate of default losses and whether credit risk increases significantly, taking into account all reasonable and reliable information, including forward-looking information. In making these judgments and estimates, the Group extrapolates expected changes in the debtor's credit risk based on historical repayment data combined with economic policies, macroeconomic indicators, industry risk and other factors.

For the Group's criteria for determining significant increases in credit risk, the definition of an incurred credit impairment asset, and assumptions regarding the measurement of ECL. please refer to Notes VIII/1 of this report.

(2) Impairment provision of goodwill

The goodwill is tested at least annually for impairment. The recoverable amount of the asset group and asset group combination that includes goodwill is the present value of its expected future cash flow, and its calculation requires the use of accounting estimates.

If management revises the gross profit margin used in the calculation of future cash flows of asset groups and asset group combinations, and the revised gross profit margin is lower than the currently used gross profit margin, enterprise needs to make provision for impairment of goodwill.

If management revises the pre-tax discount rate used for discounting cash flows, and the revised pre-tax discount rate is higher than the currently used discount rate, the Company needs to accrue impairment provisions for goodwill.

If the actual gross profit margin or pre-tax discount rate is higher or lower than the management's estimate, the Group cannot reverse the impairment loss for goodwill that has been accrued.

(3) Deferred income tax assets

The estimation of deferred income tax assets needs to estimate the taxable income and applicable tax rates in the future years. The realization of deferred income tax assets depends on whether the Group is likely to obtain sufficient taxable income in the future. Future changes in tax rates and the reversal time of temporary differences may also affect income tax expenses (income) and the balance of deferred income tax. Changes in the above estimates may result in important adjustments to deferred income tax.

(4) Useful life of fixed assets and intangible assets

At the end of the year, the Group reviews the estimated useful life of fixed assets and intangible assets. The estimated service life is determined by the management based on the historical experience of similar assets, with reference to the commonly used estimates in the same industry, combined with the expected technical updates. When the previous estimates have changed significantly, the depreciation expenses and amortization expenses in the future period shall be adjusted accordingly.

(5) Consolidation of structured entities

All facts and circumstances must be considered when assessing whether the group controls the invested enterprise as an investor. The definition of control includes the following three elements: 1) the power of the investor to the investee; 2) the variable return enjoyed by the investee in the relevant business; and 3) the ability to use the power of the investee to influence the amount of its return. If one or more of the three control elements mentioned above change, the Group will reassess whether control still exists.

For structured entities (such as funds and asset management plans) managed by the Group, the Group will assess whether its maximum exposure to the structured entities, together with the variable returns generated by its administrator's compensation, is significant enough to indicate that the Group has control over the structured entities. If the Group has control over the structured entity under management, the structured entity will be included in the consolidated scope of the consolidated financial statements. For structured subject shares held by parties other than the Group, as the issuer has a contractual obligation to buy back its offering shares in cash, the Group recognizes them as financial liabilities or payables at fair value through profit or loss.

38. Changes in important accounting policies and accounting estimates

(1) Changes in accounting policies

There is no change in important accounting policies during the reporting period.

(2) Changes in accounting estimates

There is no change in major accounting estimates during the reporting period.

V. Taxation

1. Main taxes and tax rates of the company

Taxes	Tax bases	Tax rates	Note
Value-added tax (VAT)	The taxable amount calculated by multiplying the taxable sales amount by the applicable tax rate / collection rate and deducting the balance of input tax allowed to be deducted in the current period	3%-13%	
Urban maintenance and construction taxes	Turnover tax payable	1%、5%、7%	
Educational surcharge	Turnover tax payable	3%	
Local education surcharge	Turnover tax payable	2%	
Corporate income tax	Taxable income	16.5%、25%	

Description of income tax rates of different taxpayers:

In accordance with the provisions of the "Enterprise Income Tax Law of the People's Republic of China" and the "Announcement of the State Administration of Taxation on Printing and Distributing the "Measures for the Administration of the Collection of Corporate Income Tax Collection for Cross-Regional Operations"" (State Administration of Taxation Announcement No. 57 of 2012), the Company implements the corporate income tax collection and management measures of "unified calculation, hierarchical management, on-site prepayment, consolidated liquidation, and fiscal adjustment".

According to the Enterprise Income Tax Law of the People's Republic of China, the company applies the enterprise income tax rate of 25% from 1 January, 2008; Central China International Holdings Co., Ltd.

and its subsidiaries in Hong Kong apply the comprehensive profits tax rate of 16.5% in accordance with the relevant provisions of the Hong Kong Special Administrative Region.

VI. Notes to items of consolidated financial statements

1. Cash and bank balances

(1) Details

Item	30 June 2021			31 December 2020		
	Amount of original currency	Exchange rate	RMB amount	Amount of original currency	Exchange rate	RMB amount
Cash on hand			111,475.46			185,324.40
RMB	85,976.61	1.0000	85,976.61	111,968.17	1.0000	111,968.17
HKD	25,889.97	0.8321	21,542.53	82,535.06	0.8416	69,464.81
CAD	760.00	5.2097	3,956.32	760.00	5.1203	3,891.42
Deposits in bank			12,207,959,587.89			10,941,803,014.08
Deposit account			3,141,881,036.85			2,748,120,459.32
RMB	2,349,637,839.02	1.0000	2,349,637,839.02	2,494,458,896.71	1.0000	2,494,458,896.71
USD	30,160,509.47	6.4601	194,869,032.33	20,547,255.32	6.5249	134,066,949.25
HKD	717,273,016.13	0.8321	596,828,531.26	141,461,731.71	0.8416	119,059,851.88
AUD	47,229.09	4.8528	228,285.87	47,229.09	5.0290	237,513.15
EUR	41,442.07	7.6862	317,348.13	29,609.31	8.0033	236,973.12
CAD	0.04	5.2097	0.21	0.04	5.1203	0.20
THB	0.15	0.2219	0.03	228,937.98	0.2174	49,779.75
JPY	-			165,957.00	0.0632	10,495.26
Client fund deposit			9,066,078,551.04			8,193,682,554.76
RMB	8,855,132,030.58	1.0000	8,855,132,030.58	8,104,738,687.41	1.0000	8,104,738,687.41
USD	22,586,018.21	6.4601	145,929,993.74	4,610,580.22	6.5249	30,083,211.61
HKD	74,870,357.28	0.8321	62,298,126.91	67,293,174.96	0.8416	56,636,640.55
EUR	353,988.26	7.6862	2,710,711.92	276,838.87	8.0033	2,215,633.25
JPY	132,540.00	0.0580	7,687.89	132,540.00	0.0632	8,381.94
Other cash and bank balances			13,925,639.44			9,142,683.42
RMB	13,925,639.44	1.0000	13,925,639.44	9,142,683.42	1.0000	9,142,683.42
Total			12,221,996,702.79			10,951,131,021.90

In which, details of margin trading business are shown in the table below：

Item	30 June 2021			31 December 2020		
	Amount of original currency	Exchange rate	RMB amount	Amount of original currency	Exchange rate	RMB amount
Corporate credit capital			299,108,769.77			70,219,206.05

Item	30 June 2021			31 December 2020		
	Amount of original currency	Exchange rate	RMB amount	Amount of original currency	Exchange rate	RMB amount
RMB	114,164,451.84	1.0000	114,164,451.84	2,379,906.55	1.0000	2,379,906.55
HKD	222,267,471.79	0.8321	184,944,317.93	80,603,701.70	0.8416	67,839,299.50
Client credit capital			702,296,621.79			582,961,261.74
RMB	527,224,815.04	1.0000	527,224,815.04	528,880,625.85	1.0000	528,880,625.85
USD	19,624,752.31	6.4601	126,777,862.40	1,333,044.66	6.5249	8,697,857.34
HKD	58,040,025.42	0.8321	48,293,944.35	53,921,841.34	0.8416	45,382,778.55
Total			1,001,405,391.56			653,180,467.79

(2) As of 30 June, 2021, the Company's cash which deposited overseas were RMB 1,001,477,591.39, and mainly due to deposits made by Hong Kong subsidiaries.

(3) As of 30 June, 2021, the Group has a restricted bank deposits totaling RMB 14,078,924.70, mainly due to the Company to carry out asset management business and risk reserves deposited in banks.

Deposit bank	Bank account	Ending balance	Reason for restriction
Bank of China Limited Henan Branch Business Department	262469587289	14,078,924.70	Risk reserve account for asset management business
Bank of China Limited Henan Branch Business Department	262469586944		Risk reserve account for asset management business

2. Clearing settlement funds

Item	30 June 2021			31 December 2020		
	Amount of original currency	Exchange rate	RMB amount	Amount of original currency	Exchange rate	RMB amount
Corporate reserve funds			507,321,396.71			91,228,910.05
RMB	498,359,194.32	1.0000	498,359,194.32	82,146,097.14	1.0000	82,146,097.14
HKD	10,222,807.57	0.8321	8,506,193.74	10,234,072.57	0.8416	8,613,404.83
USD	46,445.58	6.4601	300,089.59	46,444.53	6.5249	303,041.53
EUR	19,482.26	7.6862	149,187.98	20,000.00	8.0033	160,066.63
JPY	94,868.00	0.0580	5,502.75	94,922.00	0.0632	6,002.95
MYR	508.20	1.5533	789.37	98.31	1.6185	159.11
GBP	49.27	8.9410	438.96	15.48	8.9057	137.86
Client's ordinary reserve funds			1,637,022,435.39			1,975,873,287.75
RMB	1,629,952,480.48	1.0000	1,629,952,480.48	1,972,225,042.98	1.0000	1,972,225,042.98
USD	940,806.41	6.4601	6,077,703.49	514,990.08	6.5249	3,360,258.77
HKD	1,192,495.22	0.8321	992,251.42	342,172.42	0.8416	287,986.00
Client's credit reserve funds			372,611,019.92			311,997,890.20
RMB	372,611,019.92	1.0000	372,611,019.92	311,997,890.20	1.0000	311,997,890.20

Item	30 June 2021			31 December 2020		
	Amount of original currency	Exchange rate	RMB amount	Amount of original currency	Exchange rate	RMB amount
Total			2,516,954,852.02			2,379,100,088.00

3. Margin accounts

(1) By categories

Item	30 June 2021	31 December 2020
Within borders		
Individual client	7,409,670,867.36	7,161,431,516.25
Institutional client	70,122,206.57	109,194,134.07
Less: provision for impairment	22,240,420.43	21,728,570.93
Subtotal	7,457,552,653.50	7,248,897,079.39
Overseas		
Individual client	97,127,607.80	157,193,911.35
Institutional client	81,486,824.00	48,511,514.39
Less: provision for impairment	49,983,843.07	53,845,391.75
Subtotal	128,630,588.73	151,860,033.99
Total	7,586,183,242.23	7,400,757,113.38

(2) Details of collateral

Collateral type	30 June 2021	31 December 2020
Cash	814,673,245.68	732,150,639.06
Bonds	33,138,059.26	34,564,682.12
Stocks	21,896,364,782.32	22,251,473,685.92
Funds	701,181,081.61	94,132,329.50
Total	23,445,357,168.87	23,112,321,336.60

4. Derivative financial instruments

(1) 30 June, 2021

Item	Hedging instruments			Non-hedging instruments		
	Contractual value	Fair value		Contractual value	Fair value	
		Asset	Liability		Asset	Liability
Commodity futures	100,430,720.00		9,535,238.00	181,863,310.00		9,186,472.17
Less: Offsetting with temporary receipts and payments			9,535,238.00			9,090,427.00
Interest rate swaps				70,850,000,000.00		26,617,792.13
Less: Offsetting with temporary receipts and payments						26,617,792.13
National debt futures				7,306,359,700.00	6,869,949.38	

Item	Hedging instruments			Non-hedging instruments		
	Contractual value	Fair value		Contractual value	Fair value	
		Asset	Liability		Asset	Liability
Less: Offsetting with temporary receipts and payments					6,869,949.38	
Stock options				11,415,000.00		250,110.00
Total	100,430,720.00			78,349,638,010.00		346,155.17

(2) 31 December, 2020

Item	Hedging instruments			Non-hedging instruments		
	Contractual value	Fair value		Contractual value	Fair value	
		Asset	Liability		Asset	Liability
Commodity futures	85,586,810.00		3,717,100.00	227,988,540.00	255,505.00	
Less: Offsetting with temporary receipts and payments			3,717,100.00		255,505.00	
Interest rate swaps				37,580,000,000.00	10,220,124.13	
Less : Offsetting with temporary receipts and payments					10,220,124.13	
National debt futures				2,608,688,300.00	404,482.44	
Less : Offsetting with temporary receipts and payments					404,482.44	
Stock options				5,329,975.80		57,980.91
Total	85,586,810.00			40,422,006,815.80		57,980.91

Under the non-debt settlement system on the current day, clearing settlement funds include the commodity futures, interest rate swaps and national debt futures held by the company on 30 June, 2021 and 31 December, 2020. Derivative instruments such as commodity futures, interest rate swap, national debt futures under derivative financial assets/liability are listed as the net amount of RMB after offsetting with temporary receipts and payments (position profit and loss from settlement).

5. Refundable deposits

Item	30 June 2021			31 December 2020		
	Amount of original currency	Exchange rate	RMB amount	Amount of original currency	Exchange rate	RMB amount
Trading margin			709,590,629.31			539,543,098.45
RMB	708,722,382.31	1.0000	708,722,382.31	538,665,535.45	1.0000	538,665,535.45
HKD	500,000.00	0.8321	416,040.00	500,000.00	0.8416	420,820.00
USD	70,000.00	6.4601	452,207.00	70,000.00	6.5249	456,743.00
Credit margin			9,624,700.37			10,618,496.40

Item	30 June 2021			31 December 2020		
	Amount of original currency	Exchange rate	RMB amount	Amount of original currency	Exchange rate	RMB amount
RMB	9,624,700.37	1.0000	9,624,700.37	10,618,496.40	1.0000	10,618,496.40
Performance bonds			156,816,736.05			194,717,152.84
RMB	156,816,736.05	1.0000	156,816,736.05	194,717,152.84	1.0000	194,717,152.84
Total			876,032,065.73			744,878,747.69

6. Accounts receivable

(1) By categories

Item	30 June 2021	31 December 2020
Stock-pledged repurchase receivable	309,607,600.00	309,607,600.00
Bond interest receivable	250,000.00	54,079,800.00
Settlement receivable	35,721,545.45	43,148,113.18
Asset management fee receivable	38,966,569.50	33,462,467.93
Fees and commission receivable	23,711,487.39	45,840,692.93
Margin financing clients receivable	8,337,212.18	7,963,368.74
Others	684,260.97	1,004,903.94
Less: Provision for bad debts (According to the simplified model)	326,968,040.01	325,783,423.38
Book value of accounts receivable	90,310,635.48	169,323,523.34

Note: Based on the result of court enforcement after the stock-pledged mortgage financing breached the contract, the Company transferred the unpaid repayment part to the accounts receivable. As of 30 June, 2021, the balance of the stock-pledged repurchase receivable is RMB 309,607,600.00, and the bad debt provision has been fully accrued.

(2) By evaluation methods

Item	30 June 2021			
	Book value of accounts receivable		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Single provision for bad debts	354,804,635.21	85.03	321,682,511.26	90.66
Subtotal	354,804,635.21		321,682,511.26	
Combination provision for bad debts				
within 1 year	27,994,180.50	6.71	139,970.90	0.50
1-2 years	9,528,747.69	2.28	476,437.38	5.00
2-3 years	11,917,164.28	2.86	1,191,716.42	10.00
3-4 years	7,100,951.28	1.70	1,420,190.26	20.00
4-5 years	4,546,422.42	1.09	1,363,926.73	30.00
more than 5 years	1,386,574.11	0.33	693,287.06	50.00

Item	30 June 2021			
	Book value of accounts receivable		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Subtotal	62,474,040.28	14.97	5,285,528.75	
Total	417,278,675.49	100.00	326,968,040.01	

Continued:

Item	31 December 2020			
	Book value of accounts receivable		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Single provision for bad debts	366,183,152.30	73.96	321,256,743.62	87.73
Subtotal	366,183,152.30	73.96	321,256,743.62	
Combination provision for bad debts				
within 1 year	93,972,049.47	18.98	469,858.78	0.50
1-2 years	15,534,859.80	3.14	776,742.99	5.00
2-3 years	11,655,642.06	2.35	1,165,564.20	10.00
3-4 years	2,139,391.38	0.43	427,878.28	20.00
4-5 years	5,621,451.71	1.14	1,686,435.51	30.00
more than 5 years	400.00		200.00	50.00
Subtotal	128,923,794.42	26.04	4,526,679.76	
Total	495,106,946.72	100.00	325,783,423.38	

(3) Among the balance of accounts receivable at the end of period, the amount receivable from shareholder units holding more than 5% (including 5%) of the voting shares of the Company was RMB 1,603,217.46.

7. Financial assets held under resale agreements

(1) By business

Item	30 June 2021	31 December 2020
Agreed repurchase securities	15,871,831.90	9,847,902.11
Stock-pledged repurchase	1,579,564,225.50	1,707,498,529.86
Bonds outright repurchase	99,243,144.00	40,292,940.00
Bond-pledged repurchase	255,053,657.51	565,267,829.32
Less: provision for asset impairment	319,250,193.37	266,942,311.46
Total	1,630,482,665.54	2,055,964,889.83

(2) By subjects

Item	30 June 2021	31 December 2020
Stocks	1,595,436,057.40	1,717,346,431.97

Item	30 June 2021	31 December 2020
Bonds	354,296,801.51	605,560,769.32
Less: provision for asset impairment	319,250,193.37	266,942,311.46
Book Value	1,630,482,665.54	2,055,964,889.83

(3) Details of collateral

Collateral type	Fair value on 30 June 2021	Fair value on 31 December 2020
Stocks	2,923,412,727.32	2,792,479,921.43
Bonds	192,462,709.00	736,501,927.71
Total	3,115,875,436.32	3,528,981,849.14
Including: collateral that can be sold or re-collateralized	105,451,424.00	40,542,360.00
Collateral that has been sold or has been pledged again	105,451,424.00	40,542,360.00

(4) By residual maturity (margin accounts receivable acquired through stock-pledged repurchase)

Remaining period	30 June 2021	31 December 2020
Within 1 month	14,002,646.60	10,002,274.03
1-3 months	407,079,523.47	
3 months-1 year	368,357,786.24	735,430,249.94
More than 1 year	57,510,280.84	50,267,123.29
Over due	732,613,988.35	911,798,882.60
Total	1,579,564,225.50	1,707,498,529.86

(5) Stock-pledged repurchase by stage of impairment

Item	30 June 2021			
	Expected credit losses in the next 12 months	Expected credit losses in lifetime （No credit impairment）	Expected credit losses in lifetime (Credit impairment)	Total
Book balance	846,950,237.15		732,613,988.35	1,579,564,225.50
Impairment allowance	760,641.35		318,481,947.72	319,242,589.07
Book value	846,189,595.80		414,132,040.63	1,260,321,636.43
The value of Collateral	2,380,400,146.92		501,711,238.40	2,882,111,385.32

Continued:

Item	31 December 2020			
	Expected credit losses in the next 12 months	Expected credit losses in lifetime （No credit impairment）	Expected credit losses in lifetime (Credit impairment)	Total
Book balance	795,699,647.26		911,798,882.60	1,707,498,529.86
Impairment allowance	1,363,745.09		265,570,503.11	266,934,248.20
Book value	794,335,902.17		646,228,379.49	1,440,564,281.66
The value of Collateral	2,099,499,467.60		668,709,113.83	2,768,208,581.43

8. Financial assets at fair value through profit or loss

(1) By categories

Item	30 June 2021					
	Fair value			Initial cost		
	Classified into FVTPL	Designated as FVTPL	Total	Classified into FVTPL	Designated as FVTPL	Total
Bonds	16,466,078,044.59		16,466,078,044.59	16,386,790,062.88		16,386,790,062.88
Public Offering of Fund	2,599,782,782.08		2,599,782,782.08	2,594,233,120.97		2,594,233,120.97
Stocks	1,249,522,963.81		1,249,522,963.81	1,300,801,053.73		1,300,801,053.73
Bank financing products	103,166,301.09		103,166,301.09	103,000,000.00		103,000,000.00
Brokerage asset management products	10,157,258.52		10,157,258.52	10,832,648.05		10,832,648.05
Private funds and partnerships	1,322,369,126.43		1,322,369,126.43	1,270,023,951.62		1,270,023,951.62
Bills	1,216,682,447.94		1,216,682,447.94	1,216,022,030.92		1,216,022,030.92
Others	549,628,394.15		549,628,394.15	524,525,705.10		524,525,705.10
Total	23,517,387,318.61		23,517,387,318.61	23,406,228,573.27		23,406,228,573.27

Continued:

Item	31 December 2020					
	Fair value			Initial cost		
	Classified into FVTPL	Designated as FVTPL	Total	Classified into FVTPL	Designated as FVTPL	Total
Bonds	19,006,086,088.17		19,006,086,088.17	18,963,514,100.97		18,963,514,100.97
Public Offering of Fund	989,026,998.94		989,026,998.94	981,237,072.37		981,237,072.37
Stocks	1,269,140,125.07		1,269,140,125.07	1,428,922,123.23		1,428,922,123.23
Bank financing products	120,306,652.05		120,306,652.05	120,000,000.00		120,000,000.00
Brokerage asset management products	10,319,370.53		10,319,370.53	10,901,958.05		10,901,958.05
Private funds and partnerships	745,313,668.07		745,313,668.07	716,092,794.00		716,092,794.00
Others	452,379,595.94		452,379,595.94	430,000,000.00		430,000,000.00
Total	22,592,572,498.77		22,592,572,498.77	22,650,668,048.62		22,650,668,048.62

(2) Securities lending in financial assets at fair value through profit or loss

As of 30 June, 2021 and 31 December, 2020, the balance of the Group's financial assets at fair value through profit or loss included RMB 6,619,102.88 and RMB 6,015,764.80 in securities financing, respectively.

(3) Financial assets at fair value through profit or loss with restricted realization

Item	Reasons for restriction	Book value on 30 June 2021	Book value on 31 December 2020
Bonds	Pedged for repurchase financing, pledged for bond lending	10,661,078,073.51	13,222,864,812.00
Bonds	Exercise registration	54,194,278.77	193,466,175.35
Public offered funds	Securities lending	6,619,102.88	6,015,764.80
Stocks	Restricted by share reduction		220,030,319.58
Stocks	Restrictions on bulk trading	18,849,600.00	18,849,600.00
Bills	Pledged for repurchase financing	1,100,020,825.62	

9. Financial assets measured at amortized costs

(1) Details

Item	30 June 2021			
	Initial cost	Interest	Impairment allowance	Book value
Trust plans	204,899,639.87	5,174,871.99	2,423,116.12	207,651,395.74
Private placement bonds	146,202,602.49		105,546,121.49	40,656,481.00
Assets management plans	244,388,050.00		142,059,010.00	102,329,040.00
Other	15,044,784.16			15,044,784.16
Total	610,535,076.52	5,174,871.99	250,028,247.61	365,681,700.90

Continued:

Item	31 December 2020			
	Initial cost	Interest	Impairment allowance	Book value
Trust plans	217,242,739.75	4,725,086.10	2,432,928.65	219,534,897.20
Private placement bonds	147,537,686.71		106,414,092.02	41,123,594.69
Assets management plans	244,388,050.00		48,877,610.00	195,510,440.00
Total	609,168,476.46	4,725,086.10	157,724,630.67	456,168,931.89

(2) Financial assets measured at amortized costs-ECL

Item	Stage 1	Stage 2	Stage3	Total
	Expected credit losses in the next 12 months	Expected credit losses in lifetime （No credit impairment）	Expected credit losses in lifetime (Credit impairment)	
1 January 2021	23,041.81		157,701,588.86	157,724,630.67
Book value	—	—	—	—

Item	Stage 1 Expected credit losses in the next 12 months	Stage 2 Expected credit losses in lifetime （No credit impairment）	Stage3 Expected credit losses in lifetime (Credit impairment)	Total
--transfer to stage 2				
--transfer to stage 3				
--transfer back to stage 2				
--transfer back to stage 1				
Increase	1,662.28		93,181,400.00	93,183,062.28
Transfer back	11,474.81			11,474.81
Write off				
Difference from foreign currency translation			-867,970.53	-867,970.53
30 June 2021	13,229.28		250,015,018.33	250,028,247.61

10. Financial assets at fair value through other comprehensive income

(1) By categories

Item	30 June 2021				
	Initial cost	Interest	Changes in fair value	Book value	Accumulative impairment of allowance
National debt	260,274,480.05	5,529,764.39	1,038,239.95	266,842,484.39	
Local government debt	102,857,202.18	3,583,561.64	87,097.82	106,527,861.64	34,843.38
Corporate debt	810,267,442.67	17,232,978.10	-70,240,737.67	757,259,683.10	69,969,097.32
Others	680,937,260.04	15,273,221.91	1,725,661.45	697,936,143.40	362,217.58
Total	1,854,336,384.94	41,619,526.04	-67,389,738.45	1,828,566,172.53	70,366,158.28

Continued:

Item	31 December 2020				
	Initial cost	Interest	Changes in fair value	Book value	Accumulated impairment of allowance
National debt	340,391,503.36	5,862,227.41	91,496.64	346,345,227.41	
Local government debt	506,205,995.05	7,092,082.20	2,894,304.95	516,192,382.20	294,239.63
Corporate debt	690,041,226.48	17,829,856.74	-73,300,586.48	634,570,496.74	70,379,414.90
Others	581,303,404.07	12,904,493.15	-2,510,854.50	591,697,042.72	301,305.30
Total	2,117,942,128.96	43,688,659.50	-72,825,639.39	2,088,805,149.07	70,974,959.83

(2) Financial instruments at fair value through other comprehensive income-ECL

Item	Stage 1 Expected credit losses in the next 12 months	Stage 2 Expected credit losses in lifetime （No credit impairment）	Stage3 Expected credit losses in lifetime (Credit impairment)	Total
1 January 2021	1,266,559.83		69,708,400.00	70,974,959.83

Item	Stage 1 Expected credit losses in the next 12 months	Stage 2 Expected credit losses in lifetime (No credit impairment)	Stage3 Expected credit losses in lifetime (Credit impairment)	Total
Book value	—	—	—	—
--transfer to stage 2				
--transfer to stage 3				
--transfer back to stage 2				
--transfer back to stage 1				
Increase				
Transfer back	608,801.55			608,801.55
Write off				-
30 June 2021	657,758.28		69,708,400.00	70,366,158.28

(3) financial assets at fair value through other comprehensive income with restricted realization

Item	Reasons for restriction	Book value on 30 June 2021	Book value on 31 December 2020
Corporate debt	Pledged for bond lending	89,268,478.17	30,822,180.41
Others	Pledged for bond lending	73,947,138.47	
Corporate debt	pledged for repurchase financing	355,763,646.43	132,078,473.98
Local government debt	pledged for repurchase financing	106,527,861.64	516,192,382.20
National debt	Pledged for refinancing operations	194,157,654.80	295,212,638.37
Others	pledged for repurchase financing	248,903,092.46	

11. Long-term equity investments

(1) By categories

Item	30 June 2021	31 December 2020
Long-term equity investment based on equity method	1,146,555,621.37	1,097,430,290.95
Total	1,146,555,621.37	1,097,430,290.95
Less: Impairment loss	26,321,580.95	30,154,117.51
Net long-term equity investment	1,120,234,040.42	1,067,276,173.44

(2) Investment in associates

Investee	Opening balance	Increase/decrease								Closing balance	Impairment provision period-end balance
		Additional Investment	Reducing investment	Investment gains and losses recognized under the equity method	Other comprehensive income adjustment	Other changes in equity	Declare cash dividends or profits	Provision for impairment	others		
Henan Huatai Grain and Oil Machinery Co., Ltd.	5,941,268.76			-164,153.29						5,777,115.47	
Henan Zhongping Financing Guarantee Co., Ltd.	53,585,720.49			163,004.58						53,748,725.07	
Henan Longfengshan Agriculture and Animal Husbandry Co., Ltd.	20,580,791.00	5,503,437.50		125,914.24						26,210,142.74	
Zhengzhou Nongtao E-commerce Co., Ltd.	1,274,705.60									1,274,705.60	12,204,617.53
CSI Jiaotong Fund Management Co., Ltd.	20,259,530.65			-71,451.81						20,188,078.84	
Henan Investment Realistic Communication Co., Ltd.	942,625.91			-37,120.46						905,505.45	
Henan Shengtong Juyuan Venture Capital Fund (Limited Partnership)	77,237,635.85			1,239,022.83						78,476,658.68	
Puyang Chuangying Industrial Investment Fund Co., Ltd.	1,809,940.63			-6,400.88						1,803,539.75	
Shangcai Zhongding Industrial Development Investment Fund (Limited Partnership)	2,425,115.24			3,680.16						2,428,795.40	

Investee	Opening balance	Increase/decrease								Closing balance	Impairment provision period-end balance
		Additional Investment	Reducing investment	Investment gains and losses recognized under the equity method	Other comprehensive income adjustment	Other changes in equity	Declare cash dividends or profits	Provision for impairment	others		
Xinxiang Zhongding Technology Achievement Transformation Fund (Limited Partnership)	20,111,020.69			147,315.27						20,258,335.96	
Luoyang Guohong CSI Industry Development Investment Fund (Limited Partnership)	11,928,916.25			-204,613.91						11,724,302.34	
Henan Jinding Shengyuan Equity Investment Fund (Limited Partnership)	53,969,593.37			414,485.04						54,384,078.41	
Luoyang CSI Technology Innovation Venture Capital Fund (Limited Partnership)	11,013,547.47			-6,457.63						11,007,089.84	
Luohe Huarui Permanent Magnetic Material Co., Ltd.	1,500,000.00									1,500,000.00	3,389,755.50
Henan Zhonglian Equipment Manufacturing Technology Research Center Co., Ltd.	18,897,017.93			-0.52						18,897,017.41	
Zhongyuan Environmental Capital Technology Co., Ltd.	16,398,673.20			-120,442.83						16,278,230.37	
Henan Jiaoguang Rongmedia Cultural Communication Co., Ltd.	3,893,344.24			22,947.20						3,916,291.44	
Henan Ruida Pharmaceutical Technology Co., Ltd.											5,059,488.46

Investee	Opening balance	Increase/decrease								Closing balance	Impairment provision period-end balance
		Additional Investment	Reducing investment	Investment gains and losses recognized under the equity method	Other comprehensive income adjustment	Other changes in equity	Declare cash dividends or profits	Provision for impairment	others		
Zhengzhou IKEA Anhao Software Technology Co., Ltd.			3,476,571.60						3,476,571.60		
Zhengzhou Dahe Zhixin Technology Co., Ltd.	11,573,088.51			-19,870.95						11,553,217.56	
Henan Ruifeng Diamond Products Co., Ltd.	7,269,355.41									7,269,355.41	
Zhengzhou Maijia Agricultural Technology Co., Ltd.	1,403,826.09			-31,770.68						1,372,055.41	
Henan Liying Environmental Protection Technology Co., Ltd.	24,575,575.97			502,968.52						25,078,544.49	
Henan Dudu Computer Technology Co., Ltd.	240,000.00									240,000.00	492,987.23
Tangyin County Innovation Industry Investment Fund (Limited Partnership)	1,200,147.22			8,358.81						1,208,506.03	
Minquan County Innovation Industry Investment Fund (Limited Partnership)	40,063,815.85			15,850,384.45			-480,000.00			55,434,200.30	
Qingdao Zhongzhou Lanhai Beisheng Investment Management Center (Limited Partnership)	8,035,554.65		5,198,444.37	-301,897.85						2,535,212.43	
Henan Zhongyuan Big Data Trading Center	2,032,507.32			5,601.76						2,038,109.08	

Investee	Opening balance	Increase/decrease								Closing balance	Impairment provision period-end balance
		Additional Investment	Reducing investment	Investment gains and losses recognized under the equity method	Other comprehensive income adjustment	Other changes in equity	Declare cash dividends or profits	Provision for impairment	others		
Henan Asset Management Co., Ltd.	590,529,079.58			36,707,294.50	-1,259,678.70					625,976,695.38	
Henan Dahecai Cube Media Holdings Co., Ltd.	31,989,736.84			195,399.27						32,185,136.11	
Hebi Magnesium Trading Center Co., Ltd.	9,741,230.62			-65,362.40						9,675,868.22	
Shangcai Fengtuo Agriculture and Forestry Technology Co., Ltd.	4,976,131.23			-6,934.89						4,969,196.34	
2242257 Ontario Inc.	446,665.68								-5,073.58	441,592.10	5,174,732.23
Luoyang Desheng Biotechnology Co., Ltd.	11,430,011.19			47,727.60						11,477,738.79	
Total	1,067,276,173.44	5,503,437.50	8,675,015.97	54,397,626.13	-1,259,678.70		-480,000.00		3,471,498.02	1,120,234,040.42	26,321,580.95

The group inspected the book long-term equity investment on 30 June, 2021, assessed the signs of impairment in combination with the operation, financial status and other factors of the invested entity, and conducted impairment test on this basis.

Other transfers out in the current period are the disposal of the associated enterprise Zhengzhou IKEA Anhao Software Technology Co., Ltd. in the current period, and RMB 3,476,571.60 of impairment provision has been transferred out; others are translation differences of foreign currency statements.

12. Investment properties

Item	Buildings and structures	Total
Original book value		
1.Opening balance	33,882,398.45	33,882,398.45
2.Increase		
3.Decrease		
4.Closing balance	33,882,398.45	33,882,398.45
Accumulated depreciation and accumulated amortization		
1.Opening balance	17,408,309.44	17,408,309.44
2.Increase	404,747.08	404,747.08
(1) Accrual or amortization	404,747.08	404,747.08
3.Decrease		
4.Closing balance	17,813,056.52	17,813,056.52
Provision for impairment		
1.Opening balance		
2.Increase		
3.Decrease		
4.Closing balance		
Book value		
1. Closing book value	16,069,341.93	16,069,341.93
2. Opening book value	16,474,089.01	16,474,089.01

On 30 June, 2021 and 31 December, 2020, the company determined that investment properties did not require provision for impairment.

On 30 June, 2021 and 31 December, 2020, the company's investment properties did not have a property right certificate yet to be completed.

13. Fixed assets

(1) Book Value

Item	30 June 2021	31 December 2020
Original value of fixed assets	524,540,070.82	518,939,792.67
Less: Accumulative depreciation	347,003,816.86	339,935,752.90
Less: Provision for asset impairments		
Total	177,536,253.96	179,004,039.77

(2) Changes in the increase or decrease of fixed assets

Item	Buildings and structures	Electronic equipments	Transport facilities	Others	Total
Original book value					

Item	Buildings and structures	Electronic equipments	Transport facilities	Others	Total
1.Opening balance	158,278,328.85	316,266,557.75	23,955,154.00	20,439,752.07	518,939,792.67
2.Increase		12,574,754.66		642,437.65	13,217,192.31
(1) Acquisition		12,574,754.66		642,437.65	13,217,192.31
(2) Transferred in from investment properties					
3.Decrease		5,191,659.12	2,120,155.50	271,069.44	7,582,884.06
(1) Disposal or scrap		5,191,659.12	2,120,155.50	271,069.44	7,582,884.06
4.Difference by foreign currency		-17,896.21	-15,042.73	-1,091.16	-34,030.10
5.Closing balance	158,278,328.85	323,631,757.08	21,819,955.77	20,810,029.12	524,540,070.82
Accumulative depreciation					
1.Opening balance	57,680,241.87	246,559,345.70	19,653,921.67	16,042,243.66	339,935,752.90
2.Increase	2,082,714.91	11,172,444.40	579,338.40	415,323.37	14,249,821.08
(1) Accrual	2,082,714.91	11,172,444.40	579,338.40	415,323.37	14,249,821.08
(2) Transferred in from investment properties					
3.Decrease		4,884,986.80	2,026,090.39	246,413.16	7,157,490.35
(1) Disposal or scrap		4,884,986.80	2,026,090.39	246,413.16	7,157,490.35
4.Difference from foreign currency translation	-	-13,352.70	-10,015.43	-898.64	-24,266.77
5. Closing balance	59,762,956.78	252,833,450.60	18,197,154.25	16,210,255.23	347,003,816.86
Provision for impairment					
1.Opening balance					
2.Increase					
3.Decrease					
4.Closing balance					
Book value					
1.Closing book value	98,515,372.07	70,798,306.48	3,622,801.52	4,599,773.89	177,536,253.96
2.Opening book value	100,598,086.98	69,707,212.05	4,301,232.33	4,397,508.41	179,004,039.77

(3) The depreciation of the fixed asset recognised in the period is RMB 14,249,821.08.

(4) On 30 June, 2021, the Group has no fixed assets temporarily idle.

(5) On 30 June, 2021, the Group has no fixed assets that have not completed the title certificate.

14. Construction in progress

Item	30 June 2021			31 December 2020		
	Book balance	Impairment loss	Book value	Book balance	Impairment loss	Book value
Office building construction	53,332,189.77		53,332,189.77	52,427,024.00		52,427,024.00
Total	53,332,189.77		53,332,189.77	52,427,024.00		52,427,024.00

15. Right-of-use assets

Item	Buildings and structures	Total
Original book value		
1.Opening balance	275,884,275.21	275,884,275.21
2.Increase	15,399,576.23	15,399,576.23
(1) Rent in	15,399,576.23	15,399,576.23
3.Decrease	1,320,621.27	1,320,621.27
(1) Lease expired	1,320,621.27	1,320,621.27
4.Difference by foreign currency	-422,674.88	-422,674.88
5.Closing balance	289,540,555.29	289,540,555.29
Accumulative depreciation		
1.Opening balance	112,851,111.95	112,851,111.95
2. Increase	35,794,654.37	35,794,654.37
(1) Accrual	35,794,654.37	35,794,654.37
3.Decrease	1,320,621.27	1,320,621.27
(1) Lease expired	1,320,621.27	1,320,621.27
4.Difference by foreign currency	-194,198.16	-194,198.16
5.Closing balance	147,130,946.89	147,130,946.89
Book value		
1. Closing balance	142,409,608.40	142,409,608.40
2. Opening balance	163,033,163.26	163,033,163.26

On 30 June, 2021 and 31 December, 2020, the Group determined that the right-of-use asset does not require provision for impairment.

16. Intangible assets

(1) Details

Item	Computer software	Seat fee	Land-use right	Others	Total
Original book value					
1.Opening balance	285,079,501.52	32,616,590.00	105,480,246.53	2,444,000.00	425,620,338.05
2.Increase	11,185,585.74				11,185,585.74
(1) Purchase	11,185,585.74				11,185,585.74
3.Decrease	170,048.00				170,048.00

Item	Computer software	Seat fee	Land-use right	Others	Total
(1) Disposal or scrap	170,048.00				170,048.00
4.Difference by foreign currency	2,650.98	-9,560.00			-6,909.02
5.Closing balance	296,097,690.24	32,607,030.00	105,480,246.53	2,444,000.00	436,628,966.77
Accumulative depreciation					
1.Opening balance	185,750,073.97	31,608,283.48	17,799,791.34	2,444,000.00	237,602,148.79
2.Increase	16,403,711.38	24,999.96	1,318,503.06		17,747,214.40
(1) Accrual	16,403,711.38	24,999.96	1,318,503.06		17,747,214.40
3.Decrease	170,048.00				170,048.00
(1) Disposal or scrap	170,048.00				170,048.00
4.Difference by foreign currency	2,650.98				2,650.98
5.Closing balance	201,986,388.33	31,633,283.44	19,118,294.40	2,444,000.00	255,181,966.17
Impairment allowance					
1.Opening balance					
2.Increase					
3.Decrease					
4.Closing balance					
Book value					
1. Closing balance	94,111,301.91	973,746.56	86,361,952.13	-	181,447,000.60
2. Opening balance	99,329,427.55	1,008,306.52	87,680,455.19	-	188,018,189.26

(2) The amortization amount of intangible assets was RMB17,747,214.40 in the current period.

(3) On 30 June, 2020 and 31 December, 2020, the Group has no significant intangible assets used as collateral or guarantee.

(4) Details of transaction seat fees

Item	Original balance	31 Dec,2020	Amortized or transferred	Accumulated amortization or roll-out	Difference by foreign currency	30 June 2021
Shanghai Stock Exchange A-shares	19,462,500.00			19,462,500.00		
Shenzhen Stock Exchange A-shares	11,812,450.00			11,812,450.00		
National SME Stock Transfer System Co., Ltd.	500,000.00	166,666.52	24,999.96	358,333.44		141,666.56
Hong Kong Stock Exchange	876,200.00	841,640.00			-9,560.00	832,080.00
Total	32,651,150.00	1,008,306.52	24,999.96	31,633,283.44	-9,560.00	973,746.56

17. Deferred income tax assets and deferred income tax liabilities

(1) Confirmed deferred income tax assets and deferred income tax liabilities

Item	30 June 2021	31 December 2020
Deferred income tax assets		
Provision for impairment of assets	278,234,477.66	243,561,201.63
Employee benefits payable	126,730,170.97	76,885,445.52
Changes in fair value of financial assets at fair value through profit or loss and derivative financial instruments	108,079,893.52	100,789,341.05
To be carried forward underwriting income and expenditure	3,554,789.47	3,045,778.89
Accrued expenses	2,542,129.74	2,507,002.68
Change in fair value of financial assets at fair value through other comprehensive income	16,847,434.61	18,206,409.85
Changes in fair value of financial liabilities at fair value through profit or loss	536,471.50	1,524,273.16
Futures risk reserve	105,574.86	105,574.86
Others	23,418,860.53	18,109,620.45
Total	560,049,802.86	464,734,648.09
Deferred income tax liabilities		
Changes in fair value of financial assets at fair value through profit or loss and derivative financial instruments	11,175,329.64	7,102,318.65
Others	11,104,369.26	7,139,218.34
Total	22,279,698.90	14,241,536.99

(2) Temporary difference items

Item	30 June 2021	31 December 2020
Deductible temporary differences		
Provision for impairment of assets	1,148,904,330.19	1,019,083,812.61
Changes in fair value of financial assets at fair value through profit or loss and derivative financial instruments	485,392,428.59	456,839,987.56
Employee benefits payable	506,920,683.88	307,541,782.10
To be carried forward underwriting income and expenditure	14,219,157.88	12,183,115.56
Accrued expenses	10,168,518.96	10,028,010.72
Change in fair value of financial assets at fair value through other comprehensive income	67,389,738.44	72,825,639.39
Changes in fair value of financial liabilities at fair value through profit or loss	2,145,886.00	6,097,092.66
Futures risk reserve	422,299.44	422,299.44
Others	119,180,199.40	89,776,909.66
Total	2,354,743,242.78	1,974,798,649.70
Taxable temporary difference		
Changes in fair value of financial assets at fair value through profit or loss and derivative financial instruments	44,701,318.56	28,409,274.59
Others	44,417,477.04	28,556,873.36
Total	89,118,795.60	56,966,147.95

(3) It is possible for the Group to acquire taxable income offsetting deductible temporary differences. Thus, the Group recognized the deferred income tax assets.

18. Goodwill

Investee	31 December 2020	Generated from business combination in the current period	Difference from foreign currency translation	30 June 2021	30 June 2021 Impairment loss
Central China Futures Co., Ltd.	7,268,756.37			7,268,756.37	
Central China Financing International Co., Ltd.	12,614,035.24		-143,280.00	12,470,755.24	1,558,306.11
Total	19,882,791.61		-143,280.00	19,739,511.61	1,558,306.11

(1) In 2007, the Company acquired 55.68% of Central China Futures Co., Ltd. (Original name: Yuliang Futures Brokerage Co., Ltd.). The difference between the fair value of the identifiable assets and liabilities of Central China Futures Co., Ltd. obtained by the merger cost exceeding the proportion is recognized as goodwill related to Central China Futures Co., Ltd.

(2) Goodwill of the Group arose from its acquisition of 100% of Central China International Financial Holdings Co., Ltd. (Original name: Pan Asia Corporate Finance Limited) in 2016 with a merger consideration HKD 24,416,272.00. The recognition of fair value is HKD 7,556,040.59 and the difference is HKD 16,860,231.41, which is converted into goodwill at the exchange rate on 30 June, 2021.

(3) The main cash flow generated by the above invested unit is independent of the other subsidiaries, and the Company separately manages the above subsidiaries. Therefore, each subsidiary is an asset group and the goodwill formed by the business combination with separately impairment test. The recoverable amount of the Company's goodwill is determined by the method of estimating the present value of future cash flows. The discount of cash flow is calculated using an appropriate discount rate and reflects the specific risks of the relevant asset group. As of 30 June 2021, according to impairment test of the goodwill, an impairment test, an impairment provision of RMB 1,558,306.11 was made based on the estimated recoverable amount.

19. Other assets

(1) Details

Item	30 June 2021	31 December 2020
Other receivables	213,265,997.03	208,187,453.87
repaid expenses	8,848,316.41	8,724,860.09
Long-term deferred expenses	26,769,798.36	29,304,787.78
Pending underwriting expenses	634,218.43	758,196.90
Entrusted Loan	4,000,000.00	4,000,000.00
Loan	925,839,324.59	875,830,915.70
Commodity inventory	129,152,139.00	197,278,287.50

Item	30 June 2021	31 December 2020
Temporary payment	23,505,418.38	40,088,770.06
Clearing margin receivable	10,050,136.79	10,053,020.30
Pending deduct VAT on purchase	822,547.63	3,763,992.39
Futures membership	1,400,000.00	1,400,000.00
Interest receivable	1,593,942.40	1,262,539.54
Others	22,273,768.73	6,670,650.56
Total	1,368,155,607.75	1,387,323,474.69

(2) Other receivables

1) Details

Item	30 June 2021	31 December 2020
Prepayments	50,838,018.98	37,802,104.67
Cash pledge	19,937,210.25	18,457,262.12
Equity transfer fund	28,000,000.00	28,000,000.00
Debt receivable	9,700,377.58	14,584,450.53
Margins	85,679,977.92	107,692,585.42
Withholding payment	212,962.06	193,064.03
Others	39,118,507.62	19,267,087.49
Less: Provision for bad debt	20,221,057.38	17,809,100.39
Book value	213,265,997.03	208,187,453.87

2) By evaluation methods

Item	30 June 2021			31 December 2020		
	Book balance	Provision for bad debts	Proportion (%)	Book balance	Provision for bad debts	Proportion (%)
Separate provision for bad debts	109,582,530.21	12,775,257.77	11.66	133,831,876.43	12,785,582.57	9.55
Subtotal	109,582,530.21	12,775,257.77		133,831,876.43	12,785,582.57	
Combination provision for bad debts						
Within 1 year	55,718,483.91	278,592.42	0.50	56,469,157.79	282,345.90	0.50
1-2 years	42,335,617.55	2,116,780.88	5.00	18,713,083.99	935,654.20	5.00
2-3 years	15,505,684.70	1,550,568.47	10.00	9,355,826.17	935,582.62	10.00
3-4 years	4,617,685.10	923,537.02	20.00	2,391,853.82	478,370.76	20.00
4-5 years	1,436,028.32	430,808.50	30.00	1,129,068.48	338,720.54	30.00
More than 5 years	4,291,024.62	2,145,512.32	50.00	4,105,687.58	2,052,843.80	50.00
Subtotal	123,904,524.20	7,445,799.61		92,164,677.83	5,023,517.82	
Total	233,487,054.41	20,221,057.38		225,996,554.26	17,809,100.39	

3) At the end of the period, there are no accounts receivable from related parties.

(3) Long-term deferred expenses

Item	31 December 2020	Increase	Deferred	Decrease	30 June 2021
Decoration expense, etc.	29,304,787.78	3,590,654.85	6,121,251.05	4,393.22	26,769,798.36
Total	29,304,787.78	3,590,654.85	6,121,251.05	4,393.22	26,769,798.36

(4) Entrusted loans

Item	30 June 2021	31 December 2020
Entrusted loans	34,416,951.35	34,416,951.35
Less: Provision for impairment of assets	30,416,951.35	30,416,951.35
Book value	4,000,000.00	4,000,000.00

(5) Loans

1) By categories

Item	30 June 2021	31 December 2020
Individual	34,830,641.95	40,841,156.74
Agency	1,034,500,124.29	977,539,981.74
Less: Provision for asset impairments	143,491,441.65	142,550,222.78
Book value	925,839,324.59	875,830,915.70

Henan Central China Micro-Lending Co., Ltd, a subsidiary of the Company, has started its loan business in 2017, and mainly lends money to third parties at an annual interest rate ranging from 7.125% to 17.28%.

2) By the approach of credit enhancement

Item	30 June 2021	31 December 2020
Mortgage loan	78,158,829.52	165,098,079.70
Pledge loan	15,707,916.67	69,537,966.67
Guaranteed loan	966,151,681.75	771,612,802.11
Credit loan	9,312,338.30	12,132,290.00
Less: Provision for asset impairments	143,491,441.65	142,550,222.78
Book value	925,839,324.59	875,830,915.70

3) Changes in loan impairment provision

Item	31 December 2020	Accrual	30 June 2021
Loan impairment provision	142,550,222.78	941,218.87	143,491,441.65
Total	142,550,222.78	941,218.87	143,491,441.65

20. Securities lending

Item	30 June 2021	31 December 2020
Securities lending	6,619,102.88	6,015,764.80
—Financial assets at fair value through profit or loss	6,619,102.88	6,015,764.80

As of 30 June, 2021 and 31 December, 2020, the Company has no significant margin trading business contracts overdue.

21. Detailed statement of provision for impairment of assets

(1) By changing details

Item	31 December 2020	Increase	Decrease		Others	Difference from foreign currency translation	30 June 2021
			Turn back	Transfer out			
Provision for impairment of margin accounts receivable	75,573,962.68	-3,302,634.51				-47,064.67	72,224,263.50
Provision for bad debts	343,592,523.77	4,061,393.05	379,513.88	66,904.95		-18,400.60	347,189,097.39
Provision for impairment of financial assets held under resale agreements	266,942,311.46	55,752,383.89	3,444,501.98				319,250,193.37
Provision for impairment of financial assets at amortized costs	157,724,630.67	93,183,062.28	11,474.81			-867,970.53	250,028,247.61
Provision for impairment of financial assets at fair value through other comprehensive income	70,974,959.83		608,801.55				70,366,158.28
Provision for impairment of other assets	9,967,776.77						9,967,776.77
Provision for impairment of loan	142,550,222.78	941,218.87					143,491,441.65
Provision for impairment of entrusted loan	30,416,951.35						30,416,951.35
Subtotal of provision for impairment of financial instruments and other items	1,097,743,339.31	150,635,423.58	4,444,292.22	66,904.95		-933,435.80	1,242,934,129.92
Provision for impairment of long-term equity investments	30,154,117.51			3,476,571.60		-355,964.96	26,321,580.95
Provision for impairment of inventory		1,272,342.22		1,272,342.22			
Provision for impairment of goodwill	1,576,209.93					-17,903.82	1,558,306.11
Subtotal of provision for impairment of other assets	31,730,327.44	1,272,342.22		4,748,913.82		-373,868.78	27,879,887.06
Total	1,129,473,666.75	151,907,765.80	4,444,292.22	4,815,818.77		-1,307,304.58	1,270,814,016.98

(2) Expected credit loss provisions for financial instruments and other items

Item	30 June 2021			
	Expected credit losses in the next 12 months	Expected credit losses in lifetime (No credit impairment)	Expected credit losses in lifetime (Credit impairment)	Total
Provision for impairment of margin accounts receivable	22,261,356.05	360,705.23	49,602,202.22	72,224,263.50
Provision for bad debts		12,731,328.36	334,457,769.03	347,189,097.39
Provision for impairment of financial assets held under resale agreements	768,245.65		318,481,947.72	319,250,193.37
Provision for impairment of financial assets at amortized costs	13,229.28		250,015,018.33	250,028,247.61
Provision for impairment of financial assets at fair value through other comprehensive income	657,758.28		69,708,400.00	70,366,158.28
Provision for impairment of other assets			9,967,776.77	9,967,776.77
Provision for impairment of loan	5,209,681.52	1,071,742.81	137,210,017.32	143,491,441.65
Provision for impairment of entrusted loan			30,416,951.35	30,416,951.35
Total	28,910,270.78	14,163,776.40	1,199,860,082.74	1,242,934,129.92

Continued:

Item	31 December 2020			
	Expected credit losses in the next 12 months	Expected credit losses in lifetime (No credit impairment)	Expected credit losses in lifetime (Credit impairment)	Total
Provision for impairment of margin accounts receivable	21,729,825.88	1,614,024.67	52,230,112.13	75,573,962.68
Provision for bad debts		9,550,197.58	334,042,326.19	343,592,523.77
Provision for impairment of financial assets held under resale agreements	1,371,808.35		265,570,503.11	266,942,311.46
Provision for impairment of financial assets at amortized costs	23,041.81		157,701,588.86	157,724,630.67
Provision for impairment of financial assets at fair value through other comprehensive income	1,266,559.83		69,708,400.00	70,974,959.83
Provision for impairment of other assets			9,967,776.77	9,967,776.77
Provision for impairment of loan	4,922,882.76	641,944.33	136,985,395.69	142,550,222.78
Provision for impairment of entrusted loan			30,416,951.35	30,416,951.35

Total	29,314,118.63	11,806,166.58	1,056,623,054.10	1,097,743,339.31

22. Short-term loans

Item	30 June 2021	31 December 2020
Credit loans (note 1)	41,604,000.00	42,082,000.00
Guaranteed loans (note 2\3)	281,446,740.81	273,895,554.88
Total	323,050,740.81	315,977,554.88

Note 1: As of 30 June, 2021, credit loans are loans borrowed by subsidiary Central China International Financial Holdings Co., Ltd. from China Merchants Yong Long Bank Co., Ltd. The term of loan does not exceed one year, and the annual interest rate of the loan is approximately Hibor+2.4%.

Note 2; As of 30 June, 2021, guaranteed loans are loans of HK$ 324,950,000 borrowed by subsidiary Central China International Financial Holdings Co., Ltd. from China Merchants Yong Long Bank Co., Ltd. in the form of overseas loan under domestic guarantee. The loan period does not exceed one year, and the annual interest rate of the loan is approximately Hibor+1.5%.

Note 3; As of 30 June, 2021, guaranteed loans are loans of RMB 10,000,000.00 borrowed by subsidiary Yu Xing Investment Co., Ltd. from Zhengzhou High-tech Zone Branch of China Everbright Bank Co., LTD. The loan period does not exceed one year, and the annual interest rate of the loan is 5.20%.

23. Short-term financing instruments payable

Item	Par value	Start Date	Maturity	Issuing amount	Coupon rate	Book balance of 31 Dec. 2020	Increase	Decrease	Book balance of 30 Jun.2021
18Central China 01 (note1)	1,500,000,000.00	27 April 2018	3 years	1,500,000,000.00	5.58%	1,557,328,766.98	26,371,233.02	1,583,700,000.00	
19Central China 01 (note2)	2,000,000,000.00	26 March 2019	3 years	2,000,000,000.00	3.90%		2,020,247,061.16		2,020,247,061.16
21Central China S1 (note3)	1,000,000,000.00	20 May 2021	1 year	1,000,000,000.00	3.21%		1,003,693,698.63		1,003,693,698.63
21Central China S2 (note4)	1,200,000,000.00	18 June 2021	1 year	1,200,000,000.00	3.35%		1,201,431,780.82		1,201,431,780.82
Income certificates (note5)	2,889,224,000.00	From 31 December 2020 to 30 June 2021	14~272 days	2,889,224,000.00	3.00%~6.00 %	1,868,611,194.94	4,083,198,337.01	3,036,760,309.42	2,915,049,222.53
Guaranteed Bonds due 2021 (note6)	110,000,000.00 (USD)	15 September 2020	363 days	110,000,000.00 (USD)	5.20%	728,717,847.98	20,942,732.82	28,057,518.40	721,603,062.40
Total						4,154,657,809.90	8,355,884,843.46	4,648,517,827.82	7,862,024,825.54

Note 1: According to the resolution of the Central China Securities Co., Ltd. on the Company's issuance of domestic and foreign debt financing instruments and related authorizations adopted by the Company's third extraordinary shareholders' meeting in 2015, and the Shanghai Stock Exchange " Letter on No Objection to the Non-Public Issuance of Subordinated Bonds of Central China Securities Co., Ltd.," (Shangzheng Han [2017] No. 586), the Company can non-public issue subordinated bonds with a total amount of less than RMB 10 billion to qualified investors. On 25 July, 2017, the Company issued the first subordinated bonds of 2017 with a face value of RMB 1.5 billion and debt maturity of 3 years, the coupon rate was 5.15%; on 16 November, 2017, the Company issued the second subordinated bonds of 2017 with a face value of RMB 1 billion, maturity of 3 years, and a coupon rate of 5.49%; On 26 April, 2018, the Company issued the first subordinated debt of 2018 with a face value of RMB 1.5 billion and debt maturity of 3 years, the coupon rate was 5.58%

Note 2: According to the resolution of the Company's 2015 third interim shareholders' meeting and the China Securities Regulatory Commission "Reply on The Approval of Central China Securities Co., Ltd.'s Public Issuance of Corporate Bonds to Qualified Investors" (ZJXK [2019] No. 326), the Company is allowed to publicly issue corporate bonds with a total face value of no more than RMB 3 billion to qualified investors. On 25 March, 2019, the Company issued RMB 2 billion of bonds with a maturity of 3 years and a coupon rate of 3.90%.

Note 3: According to the resolution of the Company's 2019 first interim shareholders' meeting and the China Securities Regulatory Commission "Reply on The Approval of Central China Securities Co., Ltd.'s Public Issuance of Short-term Corporate Debt Certificates to Professional Investors "(ZJXK [2021] no. 377), the company was allowed to publicly issue short-term corporate bonds with a total face value of no more than RMB 5 billion. On 20 May, 2021, the company issued RMB 1 billion of bonds with a maturity of 1 year and a coupon rate of 3.21%.

Note 4: According to the resolution of the Company's 2019 first interim shareholders' meeting and the China Securities Regulatory Commission "Reply on The Approval of Central China Securities Co., Ltd.'s Public Issuance of Short-term Corporate Debt Certificates to Professional Investors "(ZJXK [2021] no. 377), the company was allowed to publicly issue short-term corporate bonds with a total face value of no more than RMB 5 billion. On 18 June, 2021, the company issued RMB 1.2 billion of bonds with a maturity of 1 year and a coupon rate of 3.35%.

Note 5: As of 30 June 2021, the Company's existing proofs of income include Xinyi series proof of income of RMB 31,730,000.00, Jinyi series proof of income of RMB 454,629,000.00, Zunyi series proof of income of RMB 302,865,000.00 and Rongyi series proof of income of RMB 2,100,000,000.00, with a period of 14~ 272 days, the interest rate range is 3.00%~6.00%.

Note 6: Deliberated by the Company's 2020 third board resolution and the Hong Kong Stock Exchange "Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and in the Securities and Futures Ordinance (Cap. 571) of Hong Kong" approved by, Wending Zhongyuan Company Limited, a subsidiary of the Company, issued 363 days of USD 110 million senior unsecured bonds on the Hong Kong Stock Exchange on 15 September, 2020, with a coupon rate of 5.20%. The above bonds are provided by the Company's subsidiary CCIFHC as an unconditional and irrevocable guarantee, and the company provides a maintenance agreement and a liquidity support agreement.

Note 7: On 30 June, 2021, short-term financing instruments payable include subordinated debt, proofs of income with period less than 1 year (include 1 year).

24. Due to banks and other financial institutions

(1) Categories

Item	30 June 2021	31 December 2020
Due to banks	1,400,417,083.34	1,990,620,444.45
Capital from refinancing	1,104,013,055.59	1,703,797,777.78
Total	2,504,430,138.93	3,694,418,222.23

(2) Residual maturity of capital from refinancing

Item	30 June 2021		31 December 2020	
	Balance	Rate	Balance	Rate
Within 1 month	502,916,388.92	2.80%	503,004,444.45	2.80%
1-3 months	301,096,666.67	2.80%	1,200,793,333.33	2.80%
3 months – 1 year	300,000,000.00	2.50%		
Total	1,104,013,055.59	—	1,703,797,777.78	—

25. Financial liabilities at fair value through profit or loss

Item	30 June 2021		
	Fair value		
	Classified into FVTPL	Designated as FVTPL	Total
Bonds (note1)	324,150,598.08		324,150,598.08
Included in structured entities consolidated and classified as financial liabilities at fair value through profit or loss (note2)	737,567,707.81		737,567,707.81
Total	1,061,718,305.89		1,061,718,305.89

Continued:

Item	31 December 2020		
	Fair value		
	Classified into FVTPL	Designated as FVTPL	Total
Bonds (note1)	778,986,314.11		778,986,314.11
Included in structured entities consolidated and classified as financial liabilities at fair value through profit or loss (note2)	577,240,268.93		577,240,268.93
Total	1,356,226,583.04		1,356,226,583.04

Note 1: As of 30 June, 2021 and 31 December, 2020, the Group sold outright bonds to other financial institutions for financing business.

Note 2: In the consolidated financial statements, since the Group is obliged to pay other investors on the maturity date of the structured entity in accordance with the net book value and the relevant terms of the structured entity, the Group classifies the financial liabilities arising from the consolidated structured entity as financial liabilities at fair value through profit or loss.

26. Financial assets sold under repurchase agreements

(1) By categories

Item	30 June 2021	31 December 2020
Outright repurchase	1,698,305,426.23	170,134,478.47
Pledge-style repurchase	9,957,776,372.59	12,030,173,716.26
Total	11,656,081,798.82	12,200,308,194.73

(2) By subject categories

Item	30 June 2021	31 December 2020
Bonds	10,557,166,826.02	12,200,308,194.73
Bills	1,098,914,972.80	
Total	11,656,081,798.82	12,200,308,194.73

(3) Collateral information of financial assets sold under repurchase agreements

Item	Fair value on30 June 2021	Fair value on 31 December 2020
Bonds	11,724,106,031.94	13,375,777,049.15
Bills	1,100,020,825.62	
Total	12,824,126,857.56	13,375,777,049.15

27. Accounts payable to brokerage clients

(1) Details

Item	30 June 2021	31 December 2020
General brokerage business		
Individual	9,650,247,969.73	9,183,094,149.35
Institution	835,826,615.78	594,826,211.62
Subtotal	10,486,074,585.51	9,777,920,360.97
Credit business		
Individual	828,298,179.46	758,296,288.57
Institution	25,429,880.81	19,013,901.71
Subtotal	853,728,060.27	777,310,190.28
Total	11,339,802,645.78	10,555,230,551.25

28. Employee benefits payable

(1) Categories

Item	31 December 2020	Increase	Decrease	30 June 2021
Short-term benefits	558,361,317.06	601,470,690.19	618,533,088.85	541,298,918.40
Post-employment benefit - defined contribution plans	3,012,356.72	56,843,408.57	32,991,141.99	26,864,623.30
Dismissal benefit	558,864.39	161,814.00	523,350.96	197,327.43
Total	561,932,538.17	658,475,912.76	652,047,581.80	568,360,869.13

(2) Short-term benefits

Item	31 December 2020	Increase	Decrease	30 June 2021
Wages, bonuses, allowances and subsidies	456,297,497.60	522,281,612.93	554,662,399.29	423,916,711.24
Welfare	34,212.67	10,246,260.29	10,261,577.61	18,895.35
Social insurance contribution	1,295.00	23,732,350.87	23,732,605.87	1,040.00
Including: Medical insurance	510.35	15,650,603.60	15,650,603.60	510.35
Work-related injury insurance	334.55	275,047.09	275,047.09	334.55
Maternity insurance	195.10	321,761.74	321,761.74	195.10
Supplementary medical insurance	255.00	7,478,045.50	7,478,300.50	
Others		6,892.94	6,892.94	
Housing funds		22,334,462.21	22,334,462.21	
Labor union and employee education costs	102,028,311.79	22,876,003.89	7,542,043.87	117,362,271.81
Total	558,361,317.06	601,470,690.19	618,533,088.85	541,298,918.40

(3) Post-employment benefit - defined contribution plans

Item	31 December 2020	Increase	Decrease	30 June 2021
Basic pension	83,998.29	27,784,548.32	27,817,365.49	51,181.12
Unemployment insurance	4,609.78	1,303,960.39	1,305,636.89	2,933.28
Enterprise annuity insurance	2,923,748.65	27,754,899.86	3,868,139.61	26,810,508.90
Total	3,012,356.72	56,843,408.57	32,991,141.99	26,864,623.30

29. Taxes payable

Item	30 June 2021	31 December 2020
Enterprise income tax	142,169,362.76	114,101,377.09
Individual income tax	10,689,484.41	9,375,343.19
Value added tax	15,796,880.77	5,327,159.86
Urban maintenance and construction tax	1,236,700.52	1,262,668.74
Educational surcharge	1,038,633.52	899,695.79
Property tax	361,819.17	396,512.17

Item	30 June 2021	31 December 2020
Land holding tax	57,930.50	59,419.92
Others	9,381.42	181,907.79
Total	171,360,193.07	131,604,084.55

30. Accounts payable

Item	30 June 2021	31 December 2020
Securities liquidation	141,943,615.61	1,584,687.23
Bank custody fee	4,360,586.50	4,289,034.57
Open-end fund liquidation		52,036,482.97
Others	24,100,819.89	7,964,367.83
Total	170,405,022.00	65,874,572.60

31. Contract liabilities

Item	30 June 2021	31 December 2020
Expense and commission advance receipt	15,207,225.44	13,434,590.75
Trade advance receipt	28,297,689.00	13,061,090.66
Total	43,504,914.44	26,495,681.41

Contract liabilities mainly relate to the Group's advance receipts of management fees and advance receipts from sales of goods. The advance receipts are collected when a contract is signed, and the related income of the contract is recognized after the Group has fulfilled its performance obligations.

32. Long-term borrowings

Categories	30 June 2021	31 December 2020
Credit borrowings	1,001,583.33	1,001,741.67
Total	1,001,583.33	1,001,741.67

Note: As of 30 June, 2021, credit loans are borrowings borrowed by subsidiary Henan Central China Micro-Lending Co., Ltd from Jiaozuo China Travel Bank Co., Ltd. The term of loan is 3 years, and the annual interest rate of the borrowings is 20% higher than the pricing base interest rate on the actual withdrawal date of the borrowings.

33. Bonds payable

Item	Face value	Start Date	Maturity	Issuing amount	Coupon rate	31 December 2020 book balance	Increase	Decrease	30 June 2021 book balance
19 Central China C1 (note 1)	1,000,000,000.00	30 October 2019	3 years	1,000,000,000.00	4.90%	1,008,591,780.85	24,701,369.88		1,033,293,150.73
19 Central China 01 (note 2)	2,000,000,000.00	26 March 2019	3 years	2,000,000,000.00	3.90%	2,059,237,739.24	39,009,321.92	2,098,247,061.16	
20 Central China C1 (note 3)	1,500,000,000.00	23 April 2020	3 years	1,500,000,000.00	4.08%	1,542,420,821.93	30,348,493.16	61,200,000.00	1,511,569,315.09
21 Central China 01 (note 4)	1,000,000,000.00	5 March 2021	3 years	1,000,000,000.00	4.03%		1,012,131,731.84		1,012,131,731.84
Total	5,500,000,000.00			5,500,000,000.00		4,610,250,342.02	1,106,190,916.80	2,159,447,061.16	3,556,994,197.66

Note 1: According to the resolution of the Central China securities Co., Ltd., on the issuance of domestic and foreign debt financing instruments and related authorizations of the Company approved by the third interim shareholders' meeting of the Company in 2015, on 29 October, 2019, the Company issued the first subordinated debt of 2019 with a face value of RMB 1 billion and a bond maturity of 3 years, the coupon rate was 4.90%.

Note 2: According to the resolution of the Company's the third interim shareholders' meeting in 2015, the Company was approved by the China Securities Regulatory Commission's "the Approval of Central China securities Co., Ltd., 's Public Issuance of Corporate Bonds to Qualified Investors" (ZJXK [2019] No.326), the Company issue corporate bonds with a total face value not exceeding RMB 3 billion to qualified investors. On 25 March, 2019, the Company issued RMB 2 billion of bonds with a maturity of 3 years and a coupon rate of 3.90%.

Note 3: According to the resolution of the Company's the first extraordinary Shareholders' meeting in 2019, the Company was approved by the Shanghai Stock Exchange issued the "Letter of Objection to The Listing and Transfer of Bonds issued by Non-Public Subordinated Companies of Central China securities Co., Ltd. (SSE Letter [2020] No. 544), the Company can non-public issue subordinated bonds with a total amount of not more than RMB 3 billion to qualified investors. On 22 April, 2020, the Company issued RMB 1.5billion of bonds with a maturity of 3 years and a coupon rate of 4.08%.

Note 4: According to the resolution of the Company's 2015 third interim shareholders' meeting and the China Securities Regulatory Commission "Reply on The Approval of Central China securities Co., Ltd.'s Public Issuance of Corporate Bonds to Qualified Investors" (ZJXK [2019] No. 326), The Company is allowed to publicly issue corporate bonds with a total face value of no more than RMB 3 billion to qualified investors. On 5 March, 2021, the Company issued RMB 1 billion of bonds with a maturity of 3 years and a coupon rate of 4.03%.

34. Lease liabilities

Item	30 June 2021	31 December 2020
Lease liabilities	143,540,895.48	157,698,672.45
Including: less than 1 year	56,658,170.81	63,101,382.10
Total	143,540,895.48	157,698,672.45

Note: The items leased by the Company are mainly houses and buildings. The Group rents houses and buildings as office space, and office space leasing usually lasts for a period of 1 to 5 years.

35. Other liabilities

(1) Details

Item	30 June 2021	31 December 2020
Dividends payable	98,426,718.06	155,116.92
Others payable	261,488,608.03	249,046,172.59
Receipts in advance	140,636,332.23	60,275,715.32
Futures risk reserve	26,591,309.23	25,085,590.18
Investor protection fund	5,799,798.39	4,346,572.63
Others	1,491,558.03	5,514,232.05
Total	534,434,323.97	344,423,399.69

(2) Other payables

Item	30 June 2021	31 December 2020
Equity transfer payable	104,010,000.00	105,205,000.00
Warranty Deposit (note 1)	6,737,600.00	92,651,296.00
Withholding supervision fees, rent, utilities, etc.	19,122,279.52	14,063,675.84
Temporary receipts	73,246,258.36	2,960,451.19
Others	58,372,470.15	34,165,749.56
Total	261,488,608.03	249,046,172.59

Note 1: The book value of the pledged bulk commodity inventory set by the company's subsidiaries for warehouse receipt pledge financing business is RMB 6,137,708.20, and the book value of the pledged bulk commodity inventory set for after-sales repurchase financing business is RMB 102,628,893.72.

(3) Futures risk reserve

The Company's subsidiary, Central China Futures Co., Ltd. according to the "Provisional Regulations on the Financial Management of Commodity Futures Trading", calculates the futures risk reserve based on 5% of the net income of the futures brokerage business fee income minus the futures exchange fee and pays it to the current profit and loss. When the risk reserve is used to make up for losses due to its own reasons or when the risk loss that is difficult to recover risk losses, the balance of the futures risk reserve is offset.

36. Share capital

Item	31 December 2020	Increase/decrease					30 June 2021
		Issued	Bonus shares	Shares transferred from reserves	Other	Subtotal	
Total share capital	4,642,884,700.00						4,642,884,700.00

37. Capital reserve

Item	31 December 2020	Increase	Decrease	30 June 2021
Premium on share capital	6,575,163,079.07			6,575,163,079.07
Others	-244,540,261.39		7,803,622.33	-252,343,883.72
Total	6,330,622,817.68		7,803,622.33	6,322,819,195.35

38. Other comprehensive income

Item	31 December 2020	Current Amount						30 June 2021
		Current period cumulative before income tax	Less: OCI carried forward transferred to profit or loss	Less: Income tax	Total	Attributable to the parent company after tax	Attributable to minority shareholder after tax	
OCI to be reclassified subsequently to profit or loss	12,549,125.88	10,958,810.45	7,870,953.93	1,206,774.85	1,881,081.67	1,881,081.67		14,430,207.55
Including: the change of the fair value of FVTOCI	-54,619,229.53	12,877,496.70	7,441,595.76	1,358,975.24	4,076,925.70	4,076,925.70		-50,542,303.83
Credit impairment allowance of FVTOCI	53,231,219.86	-179,443.38	429,358.17	-152,200.39	-456,601.16	-456,601.16		52,774,618.70
Other comprehensive income convertible to profit or loss under the equity method	2,433,175.41	-1,259,678.70			-1,259,678.70	-1,259,678.70		1,173,496.71
Difference by foreign currency	11,503,960.14	-479,564.17			-479,564.17	-479,564.17		11,024,395.97
Total	12,549,125.88	10,958,810.45	7,870,953.93	1,206,774.85	1,881,081.67	1,881,081.67	-	14,430,207.55

39. Surplus reserve

Item	31 December 2020	Increase	Decrease	30 June 2021
Statutory reserve	663,853,582.46			663,853,582.46
Discretionary reserve	174,504,665.33			174,504,665.33
Total	838,358,247.79			838,358,247.79

40. General risk reserve

Item	31 December 2020	Increase	Decrease	30 June 2021
The funds for general risk provision	782,419,033.04	935,771.83		783,354,804.87
The funds for transactional risk provision	659,099,780.36			659,099,780.36
Total	1,441,518,813.40	935,771.83		1,442,454,585.23

General risk reserves include the general risk reserves and transaction risk reserves provide by the Company and its subsidiaries. For details, please refer to Note IV. 28.

41. Retained earnings

Item	Jan-June 2021	Jan-June 2020
Retained earnings at the closing of prior year	102,780,913.15	88,232,726.32
Adjusted		
Retained earnings at the beginning of the period	102,780,913.15	88,232,726.32
Add: Net profit attributable to owners of the parent company	228,961,700.48	30,850,805.92
Less: Statutory reserve		
Discretionary reserve		
General risk reserve	935,771.83	
Transaction risk reserve		
Distribution of common stock dividends	78,929,039.90	
Balance at the end of current period	251,877,801.90	119,083,532.24

42. Net interest income

Item	Jan-June 2021	Jan-June 2020
Interest income	**518,460,146.02**	**439,282,092.15**
Including: Interest income from bank balances and clearing settlement funds	124,287,581.03	127,584,619.62
Interest income on margin accounts receivable	258,509,214.98	206,515,794.29
Interest income from financial assets held under resale agreements	48,620,451.36	41,478,616.55
Including; interest income from agreed repurchase	534,054.56	460,170.80
Interest income from stock-pledged repurchase	40,650,743.65	25,329,237.85

Item	Jan-June 2021	Jan-June 2020
Interest income from financial assets measured at amortized cost	3,838,782.36	5,529,076.20
Interest income from financial assets at fair value through other comprehensive income	42,737,174.45	14,633,435.33
Interest income from loan	40,305,190.76	40,671,052.65
Interest income from entrusted loans		192,614.14
Others	161,751.08	2,676,883.37
Interest expense	**437,802,570.60**	**420,907,369.39**
Including: Interest expense of loans	8,040,962.75	29,940,049.94
Interest expense of short-term financing instruments payable	74,429,430.55	7,159,720.65
Interest expense of due to banks and other financial institutions	39,313,222.45	32,301,755.54
Including: interest expense of refinancing interest	24,279,722.23	8,073,611.12
Interest expense of financial assets sold under repurchase agreements	148,210,522.45	121,830,581.11
Interest expense of accounts payable to brokerage clients	18,470,946.38	17,495,512.27
Interest expense of bonds payable	138,754,633.04	199,728,325.67
Including: interest expense of subordinated bonds	81,414,124.35	143,890,408.83
Interest expense of bond lending	6,398,188.52	5,526,740.64
Others	4,184,664.46	6,924,683.57
Net interest income	**80,657,575.42**	**18,374,722.76**

43. Net fee and commission income

(1) Details

Item	Jan-June 2021	Jan-June 2020
Securities brokerage services net income	330,602,298.17	314,133,681.27
——Securities brokerage services income	424,051,354.67	404,116,884.37
——Funds received as agent of stock exchange	386,196,763.52	385,150,501.89
Leasing of trading unit seats	98,726.15	430,607.33
Sales agent of financial products	37,800,922.11	18,074,613.26
——Securities brokerage services expense	93,449,056.50	89,983,203.10
——Funds received as agent of stock exchange	93,423,130.33	89,897,778.44
Sales agent of financial products	19,520.57	3,778.46
Futures brokerage business net income	54,538,373.49	29,931,456.32
——Futures brokerage business income	88,946,507.44	46,339,649.07
——Futures brokerage business expense	34,408,133.95	16,408,192.75
Investment bank business net income	266,920,574.17	98,977,331.26
——Investment bank business income	269,723,044.55	108,254,938.25

Item	Jan-June 2021	Jan-June 2020
——Securities underwriting business	256,088,834.87	80,381,886.80
Sponsor business of securities	4,541,953.09	8,961,044.64
Financial advisory business	9,092,256.59	18,912,006.81
——Investment bank business expenses	2,802,470.38	9,277,606.99
——Securities underwriting business	1,049,132.07	7,873,584.91
Sponsor business of securities	138,443.66	427,180.90
Financial advisory business	1,614,894.66	976,841.18
Asset management business net income	17,288,555.89	20,062,491.49
——Asset management business income	17,475,885.27	20,288,883.78
——Asset management business expense	187,329.38	226,392.29
Fund management business net income	5,823,511.81	6,296,374.97
——Fund management business income	5,999,676.86	8,426,175.89
——Fund management business expense	176,165.05	2,129,800.92
Investment consulting business net income	29,480,779.46	38,925,687.55
——Investment consulting business income	29,480,779.46	38,925,687.55
——Investment consulting business expense		
Other fee and commission net income	16,794,485.21	5,623,302.14
——Other fee and commission income	16,794,485.21	5,623,302.14
——Other fee and commission expense		
Total	721,448,578.20	513,950,325.00
Including: total fee and commission income	852,471,733.46	631,975,521.05
total fee and commission expense	131,023,155.26	118,025,196.05

(2) Net income from financial advisory business

Item	Jan-June 2021	Jan-June 2020
Net income from mergers and acquisitions financial advisory business -domestic listed company	943,396.23	1,886,792.45
Net income from mergers and acquisitions financial advisory business -others	771,698.11	613,207.54
others	5,762,267.59	15,435,165.64
Total	7,477,361.93	17,935,165.63

(3) Income from agency sales of financial assets

Item	Jan-June 2021		Jan-June 2020	
	Total sales	Income from handling charges and commissions	Total sales	Income from handling charges and commissions
Funds	4,696,399,261.62	37,800,922.11	2,732,422,397.27	18,074,613.26
Total	4,696,399,261.62	37,800,922.11	2,732,422,397.27	18,074,613.26

44. Investment income

(1) By categories

Item	Jan-June 2021	Jan-June 2020
Long-term equity investments income calculated by equity method	54,397,626.13	34,784,430.24
Deposal income of long-term equity investment	5,847,546.40	133,495,365.87
Financial instruments investment income	251,270,667.50	194,775,358.38
Including: Income generated during holding period	225,488,773.84	223,767,683.24
Including: Financial assets at fair value through profit or loss	391,547,444.88	376,358,058.58
Financial liabilities at fair value through profit or loss	-166,058,671.04	-152,590,375.34
Disposal income of financial instruments	25,781,893.66	-28,992,324.86
Including: Financial assets at fair value through profit or loss	69,100,988.17	63,973,115.54
Financial assets at fair value through other comprehensive income	3,949,840.43	12,268,792.46
Derivative financial instruments	-38,326,051.27	-105,687,506.21
Financial liabilities at fair value through profit or loss	-8,942,883.67	453,273.35
Total	311,515,840.03	363,055,154.49

(2) Detailed statement of transactional financial instruments

Financial instruments measured at fair value through profit or loss		**Jan-June 2021**
Classified into financial assets measured at fair value through profit or loss	Holding period income	391,547,444.88
	Deposal income	69,100,988.17
Designated as financial assets measured at fair value through profit or loss	Holding period income	
	Deposal income	
Classified into financial liabilities measured at fair value through profit or loss	Holding period income	-166,058,671.04
	Deposal income	-8,942,883.67
Designated as financial liabilities measured at fair value through profit or loss	Holding period income	
	Deposal income	

45. Gains on changes in fair value

Item	Jan-June 2021	Jan-June 2020
Financial assets at fair value through profit or loss	141,831,784.09	-65,341,315.73
Including: designated as financial assets measured at fair value through profit or loss		
Financial liabilities at fair value through profit or loss	3,951,206.65	-4,319,699.71
Including: designated as financial liabilities measured at fair value through profit or loss		
Derivative financial instruments	18,046,677.79	4,074,810.69
Total	163,829,668.53	-65,586,204.75

46. Other operating income

Item	Jan-June 2021	Jan-June 2020
Commodity sales income	1,044,534,320.76	396,150,323.43
Penalty interest income from stock pledge business	2,150,168.00	10,893,990.35
Rental income	1,494,193.80	1,520,413.62
Others	1,917,943.67	5,866,163.22
Total	1,050,096,626.23	414,430,890.62

47. Gains from assets disposal

Item	Jan-June 2021	Jan-June 2020
Non-current asset disposal income	7,895.89	564.81
Including: fixed asset disposal income	7,895.89	564.81
Total	7,895.89	564.81

48. Other income

(1) Detail of other income

Item	Jan-June 2021	Jan-June 2020
Government grants	8,766,067.75	8,509,397.02
Total	8,766,067.75	8,509,397.02

(2) Description of major government grants included in other income

① According to the Financial Support Qualification Notice of Pudong New Area (Pufu Finance [2017] No. 0082), the Company complies with the relevant provisions of "The Financial Support Measures for promoting the Development of financial Industry in Pudong New Area during the 13th Five-Year Plan period" and is qualified to enjoy the financial support of Pudong New Area. The financial support fund of RMB 6,089,000.00 allocated by The Financial Services Bureau of Pudong New Area of Shanghai in 2021 shall be included in other income according to the relevant provisions of accounting standards.

② According to the notice released by Ministry of Human Resources and Social Security, Ministry of Finance, National Development and Reform Commission, Ministry of Industry and Information Technology, "The notice of Unemployment Insurance Supporting Enterprises to Stabilize Employment" (Ren She Bu Fa， [2019] No. 23), in 2021, the Company and its subsidiaries received a government grants of RMB 1,107,233.29 for job stabilization, which was included in other income according to the relevant provisions of accounting standards

③ In accordance with the relevant provisions of Notice released by the Ministry of Finance, The State Administration of Taxation and The People's Bank of China, "The Notice On Further Strengthening the Management of Tax Withholding and Collection" (Cai Hang,[2019]No.11), the Company and its subsidiaries received RMB 1,548,734.46 of individual income tax commission refund from the government in 2021 and it was included in other income according to the relevant provisions of accounting standards.

49. Taxes and surcharges

Item	Jan-June 2021	Jan-June 2020
City maintenance and construction tax	4,855,924.54	4,422,243.19
Educational surcharges	3,733,500.45	3,168,532.13
Others	2,160,806.67	1,849,672.07
Total	10,750,231.66	9,440,447.39

50. Business and administrative expenses

Item	Jan-June 2021	Jan-June 2020
Employee benefits	658,475,912.76	455,522,444.43
Depreciation of right-of-use assets	35,794,654.37	38,604,231.02
Electronic equipment operating fees	19,466,496.94	12,505,576.70
Amortization of intangible assets	17,747,214.40	14,119,968.95
Depreciation of fixed assets	14,249,821.08	17,361,042.07
Communication fees	10,627,663.96	10,647,147.06
Consulting fees	9,128,704.24	9,611,442.71
Intermediary service fee	8,939,976.17	6,732,283.73
Member fees	7,659,220.39	7,316,349.90
Amortization of long-term deferred expenses	6,121,251.05	6,878,881.79
Business entertainment expenses	6,092,455.69	2,684,386.55
Traveling expenses	5,900,314.18	3,026,442.23
Securities investors protection funds	5,584,563.23	4,860,936.31
Property management fee	4,859,238.56	4,948,711.80
Others	34,688,717.99	25,241,662.80
Total	845,336,205.01	620,061,508.05

51. Expected credit losses

Item	Jan-June 2021	Jan-June 2020
Provision for bad debts	3,681,879.17	1,317,948.48
Provision for impairment of financial assets at amortized costs	93,171,587.47	6,673,141.36

Item	Jan-June 2021	Jan-June 2020
Provision for impairment of financial assets at fair value through other comprehensive income	-608,801.55	8,018,376.66
Loan loss provision	941,218.87	5,039,333.78
Entrusted loan loss provision		2,078,600.00
Provision for impairment of margin accounts receivable	-3,302,634.51	3,534,539.32
Provision for impairment of financial assets held under resale agreements	52,307,881.91	112,840,185.71
Others		899,999.99
Total	146,191,131.36	140,402,125.30

52. Other assets impairment losses

Item	Jan-June 2021	Jan-June 2020
Provision for impairment of inventory	1,272,342.22	22,934,995.27
Total	1,272,342.22	22,934,995.27

53. Other operating costs

Item	Jan-June 2021	Jan-June 2020
Cost of commodity sold	1,026,714,214.32	392,307,248.07
Investment property depreciation	404,747.08	407,372.97
Others	123,556.55	35,688.59
Total	1,027,242,517.95	392,750,309.63

54. Non-operating income

(1) Details

Item	Jan-June 2021	Jan-June 2020	Amount included in non-recurring profit or loss
Gains on non-current assets disposal	31,665.38		31,665.38
Government grants	1,957,037.12	393,328.61	1,957,037.12
Others	215,965.03	742,691.90	215,965.03
Total	2,204,667.53	1,136,020.51	2,204,667.53

(2) Details of government grants

①In accordance with the relevant provisions of "The Notice on Further Promoting the Development Policies and Measures of the Qingdao Wealth Management and Financial Comprehensive Reform Pilot Zone" (QZBF [2018] No.18) issued by the General Office of the Qingdao Municipal People's Government, the Company received the local financial subsidy fund of RMB 1,850,393.36 from the Qingdao Municipal People's Government in 2021. According to the relevant provisions of accounting standards, it was included in non-operating income.

②In accordance with the relevant provisions of "The Notice on the Implementation Rules (Trial) of Several Supporting Policies for Accelerating the Development of Modern Financial Industry in Jinan City" (Jijinjian [2019] No.97),issued by Jinan Finance Bureau, the Company has received local government subsidy funds of RMB 83,100.00 from Jinan Finance Bureau in 2021. According to the relevant provisions of accounting standards, it was included in non-operating income.

55. Non-operating expenses

Item	Jan-June 2021	Jan-June 2020	Amount included in non-recurring profit or loss
Losses on non-current assets disposal	294,954.40	19,608.60	294,954.40
Donations and sponsorship expenditures		4,000,000.00	
Others	106,399.64	3,082,902.31	106,399.64
Total	401,354.04	7,102,510.91	401,354.04

56. Income tax expenses

(1) Income tax expenses

Item	Jan-June 2021	Jan-June 2020
Current income tax expenses	163,736,447.39	116,364,736.14
Deferred income tax expenses	-89,122,427.41	-91,628,876.98
Total	74,614,019.98	24,735,859.16

(2) Reconciliation of accounting profit to income tax expenses

Item	Jan-June 2021
Profit before tax	307,052,034.04
Tax at the applicable tax rate	76,763,008.51
Effect of different tax rates applicable to subsidiaries	4,035,299.38
Effect of prior income tax reconciliation	343,861.86
Effect of non-taxable incomes	-35,822,052.82
Effect of non-deductible costs, expenses and losses	6,789,996.28
Effect of utilization of deductible losses not previously recognized	
Impact of deductible temporary differences or deductible losses of unrecognized deferred income tax assets in the current period	7,833,228.20
Others	14,670,678.57
Income tax expenses	74,614,019.98

57. Earnings per share

Item	Jan-June 2021	Jan-June 2020
Net profit attributable to owners of the parent company	228,961,700.48	30,850,805.92
Non-recurring net profit and loss attributable to owners of the parent company	7,829,984.83	2,659,174.25
Net profit attributable to owners of the parent company after deducting non-recurring gains and losses	221,131,715.65	28,191,631.67
Weighted average number of ordinary shares outstanding	4,642,884,700.00	3,869,070,700.00
Basic earnings per share	0.05	0.01
Basic earnings per share after deducting non-recurring gains and losses	0.05	0.01

As of 30 June, 2021 and 31 December, 2020, the Company has no potential dilutive ordinary shares, thus diluted earnings per share are the same as basic earnings per share.

58. Items of the cash flow statement

(1) Other cash received/paid related to operating/financing activities

1) Other cash received related to operating activities

Item	Jan-June 2021	Jan-June 2020
Government grants	10,723,104.87	8,902,725.63
Other operating income	1,050,096,626.23	414,430,890.62
Loans		114,829,723.81
Others	17,954,011.24	935,306.04
Total	1,078,773,742.34	539,098,646.10

2) Other cash paid related to operating activities

Item	Jan-June 2021	Jan-June 2020
Inventory		69,023,189.78
Increase in refundable deposits	131,158,890.45	369,090,047.71
Payment of business and administrative expenses	112,947,351.35	87,167,566.82
Other operating costs	764,222,325.19	392,342,936.66
Others		145,990,663.98
Total	1,008,328,566.99	1,063,614,404.95

3) Other cash paid related to financing activities

Item	Jan-June 2021	Jan-June 2020
Cash paid for acquiring minority shareholders' equity		28,000,000.00
Cash paid to repay lease liabilities	33,912,632.75	31,932,968.39
Others	7,803,622.33	

Item	Jan-June 2021	Jan-June 2020
Total	41,716,255.08	59,932,968.39

(2) Supplementary information on consolidated cash flow statement

Item	Jan-June 2021	Jan-June 2020
1. Reconciliation of net profit to cash flow from operating activities::		
Net profit	232,438,014.06	33,683,588.05
Add: Expected credit loss	146,191,131.36	140,402,125.30
Provision for impairment of assets	1,272,342.22	22,934,995.27
Depreciation of investment properties and fixed assets	14,654,568.16	17,768,415.04
Right-of-use asset depreciation	35,794,654.37	38,604,231.02
Amortization amount of intangible assets	17,747,214.40	14,119,968.95
Amortization of long-term prepaid expenses	6,121,251.05	6,878,881.79
Losses on disposal of fixed assets, intangible assets and other long-term assets (or revenue: "-")	255,393.13	19,043.79
Gains and losses on changes in fair value (or revenue: "-")	-163,829,668.53	65,586,204.75
Interest expenses	225,738,915.21	241,374,983.78
Exchange losses (or revenue: "-")	281,103.30	2,759,526.70
Investment losses (or revenue: "-")	-110,770,969.77	-200,711,100.10
Decrease in deferred income tax assets (or increase: "-")	-97,160,589.32	-94,920,262.29
Increase in deferred income tax liabilities (or decrease: "-")	8,038,161.91	3,291,385.31
Decrease of operating receivable (or increase: "-")	-1,798,478,648.95	3,028,863,875.71
Increase of operating payable (or decrease "-")	198,963,158.81	-254,584,256.19
Net cash flow from operating activities	-1,282,743,968.59	3,066,071,606.88
2. Significant investing and financing business not related to cash receipts and payments:		
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Fixed assets rented in under finance leases		
3. Net increase/(decrease) in cash and cash equivalents		
Closing balance of cash	14,720,814,704.35	14,392,034,871.21
Less: Opening balance of cash	13,312,322,291.24	11,805,475,726.56
Add: Closing balance of cash equivalent		
Less: Opening balance of cash equivalent		
Net increase of cash equivalent and cash	1,408,492,413.11	2,586,559,144.65

(3) Cash and cash equivalents

Item	30 June 2021	31 December 2020
Cash	14,720,814,704.35	13,312,322,291.24

Item	30 June 2021	31 December 2020
Including: Cash on hand	111,475.46	185,324.40
Bank deposits available for payment	12,190,465,092.03	10,924,832,764.95
Other cash	13,925,639.44	9,142,683.42
Clearing settlement funds	2,516,312,497.42	2,378,161,518.47
Cash equivalents		
Including: bond investment maturing within three months		
Cash and cash equivalents at the end of the period	14,720,814,704.35	13,312,322,291.24

59. Assets with restricted ownership or use rights

Item	Book value as of 30 June 2021	Reasons
Cash and bank balances	14,078,924.70	Risk reserve account for asset management business
Financial assets at fair value through profit or loss	11,761,098,899.13	Pledged for repurchase financing, pledged for bond lending
	54,194,278.77	Exercise registration
	18,849,600.00	Restricted by bulk trading
	6,619,102.88	Securities lending
Financial assets at fair value through other comprehensive income	194,157,654.80	Pledge for refinancing
	163,215,616.64	Pledge for bond lending
	711,194,600.53	Pledge for repurchase financing
Inventory	6,137,708.20	Pledge for warehouse financing
	102,628,893.72	Pledge for repurchase financing

60. Entrusted asset management business

Item	Collective asset management business	Single asset management business	Special asset management business
Product quantity at the end of the period	9	3	2
Number of customers at the end of the period	25,413	3	5
Including: individual customers	25,378		
Institutional clients	35	3	5
Entrusted funds at the beginning of the period	4,590,344,584.76	1,043,551,028.78	591,854,372.22
Including: Own capital investment	3,400,068.05		304,476,073.61
Individual clients	1,880,448,337.19		
Institutional clients	2,706,496,179.52	1,043,551,028.78	287,378,298.61
Entrusted funds at the end of the period	4,526,221,837.30	693,551,028.78	466,561,577.04
Including: Own capital investment	3,400,068.05		298,036,073.61
Individual clients	1,849,269,068.24		
Institutional clients	2,673,552,701.01	693,551,028.78	168,525,503.43
Initial cost of main entrusted assets at the end of the period	3,468,137,000.71	692,855,916.94	449,160,144.33
Including: Stocks	10,293,688.76	15,855,916.94	
National debt			
Other bonds	653,221,263.54		
Funds	153,171,302.00		70,144.33
Trust plans	2,638,990,000.00		
Others	12,460,746.41	677,000,000.00	449,090,000.00
Net income of asset management business in the current period	11,006,443.25	2,253,131.52	73,887.29

Note: From the statement of the parent

61. Foreign currency

Item	Amount of original currency as of 30 June 2021	Exchange rate	RMB amount as of 30 June 2021
Cash and bank balances			
Including: USD	52,746,527.68	6.4601	340,799,026.07
EUR	395,430.33	7.6862	3,028,060.05
HKD	792,169,263.38	0.8321	659,148,200.70
CAD	760.04	5.2097	3,956.53
AUD	47,229.09	4.8528	228,285.87
THB	0.15	0.2219	0.03
JPY	132,540.00	0.058	7,687.89
Clearing settlement funds			

Item	Amount of original currency as of 30 June 2021	Exchange rate	RMB amount as of 30 June 2021
Including: USD	987,251.99	6.4601	6,377,793.08
HKD	11,415,302.79	0.8321	9,498,445.16
JPY	94,868.00	0.058	5,502.75
GBP	49.27	8.941	438.96
EUR	19,482.26	7.6862	149,187.98
MYR	508.20	1.5533	789.37
Refundable deposits			
Including: USD	70,000.00	6.4601	452,207.00
HKD	500,000.00	0.8321	416,040.00
Accounts receivable			
Including: HKD	15,875, 629.27	0.8321	13,209,793.60
USD	3,098,585.78	6.4601	20,020,276.29
JPY	177,500.00	0.058	10,295.77
MYR	20,636.64	1.5533	32,054.24
GBP	1,688.33	8.941	15,041.89
Other receivables			
Including: HKD	6,692,224.68	0.8321	5,568,466.31
USD	438,516.59	6.4601	2,833,099.81
Accounts payable to brokerage clients			
Including: USD	18,586,599.92	6.4601	120,088,400.04
HKD	82,550,289.30	0.8321	68,688,444.71
GBP	153,764.51	7.6862	1,177,472.07
JPY	310,040.00	0.058	17,983.65
MYR	20,633.00	1.5533	32,048.59
GBP	1,688.33	8.941	15,041.89
Short-term loans			
Including: HKD	376,224,998.04	0.8321	313,049,296.37
Accounts payable			
Including: HKD	1,469,170.41	0.8321	1,222,467.32
Other payables			
Including: USD	24.46	6.4601	158.03
HKD	129,010,375.60	0.8321	107,346,953.33
Short-term financing instruments payable			
Including: USD	111,684,222.25	6.4601	721,603,062.40

62. Overseas business entities

The consolidated statements of the Company between January 2021 and June 2021 include overseas subsidiaries such as CCIFHC, Central China International Securities Co., Ltd., Central China International Futures Co., Ltd., Central China International Investment Co., Ltd., Central China International Financing Co., Ltd., Central China International Holdings Co., Ltd., Central China International Financial Group Ltd., Wending Zhongyuan Co., Ltd., etc. The assets and liabilities in the foreign currency balance sheet are exchanged at the spot exchange rate on the balance sheet date (1 HK $: 0.8321 RMB); the owner's equity items, except for the "undistributed profits", are exchanged at the spot exchange rate when the business occurs; the income and expense items in the income statement are exchanged at the approximate exchange rate of the spot exchange rate on the transaction date (the average exchange rate of the current period is 1HK $: 0.8338 RMB). The differences arising from the above exchanging of foreign currency statements shall be separately presented under the item of owners' equity. Foreign currency cash flows are exchanged using the approximate exchange rate of the spot exchange rate on the date of cash flow. The impact of exchange rate changes on cash shall be separately presented in the cash flow statement.

VII. Equity in other entities

1. Equity in subsidiaries

(1) Composition of enterprise groups

Name of subsidiary	Main places of business	Places of registration	Business nature	Shareholding ratio (%)		Method of acquisition
				Direct	Indirect	
Central China Futures Co., Ltd.	Zhengzhou	Zhengzhou	Futures brokerage	51.36		Acquisition
Yuxin Investment Management (Shanghai)Co. Ltd	Zhengzhou	Shanghai	Investment management		51.36	Investment establishment
Zhongding Kaiyuan Venture Capital Management Co., Ltd.	Zhengzhou	Beijing	Private equity investment fund management	100.00		Investment establishment
Henan Zhongzheng Kaiyuan Venture Capital Private Equity Fund Management Co., Ltd.	Zhengzhou	Luoyang	Equity investment management		60.00	Investment establishment
Central China Blue Ocean Investment Management Co., Ltd.	Zhengzhou	Xuchang	Alternative investment	100.00		Investment establishment

Name of subsidiary	Main places of business	Places of registration	Business nature	Shareholding ratio (%)		Method of acquisition
				Direct	Indirect	
Henan Central China Micro-Lending Co., Ltd.	Zhengzhou	Kaifeng	Microfinance		65.00	Investment establishment
Central China Equity Exchange Co., Ltd.	Zhengzhou	Zhengzhou	Regional equity market	35.00		Investment establishment
Central China International Financial Holdings Co., Ltd.	Hong Kong	Hong Kong	Investment holding	100.00		Investment establishment
Central China International Holdings Co., Ltd.	Hong Kong	British Virgin Islands	Holding company		100.00	Investment establishment
Central China International Financial Group Ltd.	Hong Kong	Cayman Islands	Holding company		100.00	Investment establishment
Central China Financing International Co., Ltd.	Hong Kong	Hong Kong	Investment bank		100.00	Acquisition
Central China International Securities Co., Ltd.	Hong Kong	Hong Kong	Securities brokerage		100.00	Investment establishment
Central China International Investment Co., Ltd.	Hong Kong	Hong Kong	Portfolio investment		100.00	Investment establishment
Central China International Futures Co., Ltd.	Hong Kong	Hong Kong	Futures brokerage		100.00	Investment establishment
Wending Zhongyuan Co., Ltd.	Hong Kong	British Virgin Islands	Other		100.00	Investment establishment

a) Reasons why the shareholding ratio of subsidiaries is different from the voting ratio

Central China Equity Exchange Co., Ltd. was established in 2015. The Company has signed a concerted action agreement with three other investors. Through this agreement, the Company can control 51% of the equity of Central China Equity Exchange Co., Ltd.

b) Basis for controlling important structured entities included in the consolidation scope

As of 30 June, 2021, as the general partner of the partnership, the Company and its subsidiaries owned Henan Zhongyuan Science and Innovation Venture Capital Fund (Limited Partnership), Henan Zhongzheng Kaiyuan Venture Capital Fund (Limited Partnership), Henan Zhongzheng Kaiyuan Yucai Agricultural Venture Capital Fund (Limited Partnership) and Anyang Purun High-tech Industry Investment Fund (Limited Partnership). The company can control them. Therefore, the above four partnerships are included in the scope of consolidation.

According to the provisions of Accounting Standards for Business Enterprises No. 33 - Consolidated Financial Statements, the company regards the Company as the manager, participates with its own funds, bears significant variable returns related to product income, and meets the definition of "control" in the newly revised accounting standards for business enterprises in 2014, a total of 4 collective asset management plan products are included in the scope of consolidated statements.

As of 30 June, 2021, the details of important structured entities included in the consolidation scope are as follows:

STRUCTURED ENTITIES NAME	TOTAL SHARE / REGISTERED CAPITAL	PROPORTION OF SHARES HELD BY THE COMPANY ON 30 JUNE, 2021	DIRECT / INDIRECT INVESTMENT
HUIMIN 1 COLLECTIVE ASSET MANAGEMENT PLAN	43,618,155.80	48.47%	Indirect
LIANMENG 17 COLLECTIVE ASSET MANAGEMENT PLAN	59,840,000.00	100.00%	Indirect
ZHONGJING 1 COLLECTIVE ASSET MANAGEMENT PLAN	181,650,000.00	100.00%	Indirect
TIANYUAN 1 COLLECTIVE ASSET MANAGEMENT PLAN	11,153,323.62	44.83%	Indirect
HENAN ZHONGYUAN SCIENCE AND INNOVATION VENTURE CAPITAL FUND (LIMITED PARTNERSHIP)	500,000,000.00	50.00%	Indirect
HENAN ZHONGZHENG KAIYUAN VENTURE CAPITAL FUND (LIMITED PARTNERSHIP)	81,000,000.00	15.00%	Indirect
HENAN ZHONGZHENG KAIYUAN YUCAI AGRICULTURAL VENTURE CAPITAL FUND (LIMITED PARTNERSHIP)	100,000,000.00	20.00%	Indirect
ANYANG PURUN HIGH-TECH INDUSTRY INVESTMENT FUND (LIMITED PARTNERSHIP)	45,000,000.00	13.00%	Indirect

(2) Important non-wholly owned subsidiaries

Name of subsidiary	Shareholding ratio of minority shareholders (%)	Profit and loss attributable to minority shareholders in the current period	Dividends declared to be distributed to minority shareholders in the current period	Balance of minority shareholders' equity at the end of the period	Remarks
Central China Futures Co., Ltd.	48.64	257,450.30	6,741,919.80	207,320,695.99	
Central China Equity Exchange Co., Ltd.	65.00	23,780,976.32	14,088,200.00	237,533,669.96	

a) Explanation that the shareholding ratio of minority shareholders of subsidiaries is different from the voting right ratio:

Central China Equity Exchange Co., Ltd. was established in 2015. The Company has signed a concerted action agreement with three other investors. Through this agreement, the Company can control 51% of the equity of Central China Equity Exchange Co., Ltd.

(3) Main financial information of important non-wholly owned subsidiaries

The main financial information of these subsidiaries is the amount before mutual offset between enterprises in the Company, but after adjustment of fair value and unified accounting policies on the merger date:

Item	Ending balance / Current amount	
	Central China Futures Co., Ltd.	Central China Equity Exchange Co., Ltd.
Total assets	2,070,804,950.39	427,971,411.83
Total liabilities	1,654,734,134.31	60,204,396.84
Operating income	1,074,348,131.23	63,975,536.99
Net profit	529,264.84	36,586,117.42
Total comprehensive income	529,264.84	36,586,117.42
Cash flow from operating activities	197,970,055.70	-13,729,012.48

Continue:

Item	Opening balance / Previous period	
	Central China Futures Co., Ltd.	Central China Equity Exchange Co., Ltd.
Total assets	1,909,882,870.38	383,792,372.43
Total liabilities	1,480,481,319.14	29,948,274.86
Operating income	454,163,518.32	53,592,796.92
Net profit	4,723,869.30	29,738,186.67
Total comprehensive income	4,723,869.30	29,738,186.67
Cash flow from operating activities	-203,001,422.64	-20,622,736.66

2. Rights and interests in joint ventures and associates

(1) Summary financial information of unimportant joint ventures and associates

Item	Ending balance / Current period	Opening balance / Previous period
Total book value of investment in associates	1,120,234,040.42	1,067,276,173.44
The total of the following items calculated according to the shareholding ratio	—	—
Net profit	54,397,626.13	34,784,430.24
Other comprehensive income	-1,259,678.70	-1,593,552.08
Total comprehensive income	53,137,947.43	33,190,878.16

(2) Unconfirmed commitments related to joint venture investment

The Company has no commitments that need to be disclosed.

(3) Contingent liabilities related to investment in joint ventures or associates

The Company has no contingencies that need to be disclosed.

3. Equity in structured entities not included in the scope of consolidated financial statements

The structured entities initiated and established by the Company that are not included in the scope of consolidated financial statements mainly include collective asset management plans, single asset management plans, special asset management plans, and partnerships. The nature and purpose of these structured entities are mainly to manage investors' assets and charge management fees. Their financing method is to issue investment products to investors. The rights and interests enjoyed by the Company in these structured entities not included in the scope of consolidated financial statements mainly include the income from directly holding investments or collecting management fees through managing these structured entities. The variable return related to product income enjoyed by the Company is not significant, so such structured entities are not consolidated.

As of 30 June, 2021, the total assets of the collective asset management plan managed by the Group that are not included in the scope of the consolidated financial statements are RMB 7,871,127,436.59, the total assets of the single asset management plan are RMB 1,345,007,551.01, the total assets of the special asset management plan are RMB 449,749,966.51, and the total assets of the partnership are RMB 1,116,790,029.64.

As of 30 June, 2021, the Group's equity in structured entities not included in the scope of consolidated financial statements is classified as trading financial assets, debt investment, and management fees and commissions receivable included in accounts receivable. The relevant book value and maximum risk exposure are as follows:

Items	30 June, 2021	31 December, 2020
Financial assets at fair value through profit or loss	1,950,249,061.04	1,328,580,602.71
Debt investment and receivables	477,661,812.20	487,750,503.80
Total	2,427,910,873.24	1,816,331,106.51

VIII. Risk disclosure related to financial instruments

The Group's risk management objective is to uphold the risk management concept of matching capital, risk and income, so as to bear appropriate risks, achieve the optimal balance of business scale, profitability and risk tolerance, and bring sustained and stable profit returns to shareholders. The Group's risk management strategy aims to identify and evaluate various risks faced by the Group, set an appropriate risk tolerance level, timely and reliably measure and monitor risks, and ensure that risks are controlled within an acceptable range.

The main risks faced by the Group include: credit risk, market risk, liquidity risk, operational risk, compliance risk and information technology risk. The Group has adopted risk management policies and procedures to identify and assess these risks, established appropriate risk indicators, risk limit levels, risk policies and internal control procedures, and continuously monitored and managed risks through the information system.

The organizational structure of risk management is divided into four levels, including (i) The board of directors and the board of supervisors; (ii) Risk control committee, audit committee and management; (iii) Compliance management headquarters, legal affairs headquarters, risk management headquarters and audit headquarters; And (iv) departments, branches and subsidiaries.

Level 1: Board of directors and board of supervisors

The Board of Directors is at the highest level of the Company's risk control framework and has the ultimate responsibility for establishing a compliant and effective risk control environment. The Board is responsible for developing the Company's overall risk control objectives, risk control policies and internal control system, improving the governance structure and tiered authority delegation system, and specifying the direction and scope of the Company's risk control work, and authorize relevant management departments to exercise the executive power.

The board of supervisors assumes the responsibility of overseeing the overall risk management, with the core of supervising the Company's business and management business in compliance with laws and regulations and overseeing the Company's finances, including monitoring the performance of risk control duties of the Company's directors, senior management and relevant responsible persons, safeguarding the Company's assets, and minimizing financial and legal risks the Company faces in carrying out its business operations, so as to protect legal rights and interests of the Company and its shareholders.

Level 2: Risk Control Committee, Audit Committee and Managers

Risk Control Committee, Audit Committee and Managers are the second level of the Company's risk control framework, and is responsible for preparing the comprehensive annual report on risk control; reviewing risk control strategies and significant risk control solutions; reviewing judgment criteria for major decisions, significant risks, major events and key business processes and the risk evaluation report for major decision-making; reviewing risk control evaluation report submitted by the Risk Management Department; reviewing the organization structure and roles and responsibilities for risk control, as well as other matters as delegated by the Board of Directors. The managers assume primary responsibility for overall risk management, formulate and adjust the Company's risk management system; establish and improve the Company's comprehensive risk management business management structure, clarify the division of responsibilities of comprehensive risk management functional departments, business departments and other departments in risk management, establish an effective check-and-balance and mutually coordinated operating mechanism between departments; formulate specific implementation plans for risk appetite, risk tolerance, and major risk limits to ensure their effective implementation; the main point of risk oversight and timely analysis of the reasons, and processed under the authority of the board of directors; regularly assess the Company's overall risk management and all kinds of important risk situation, risk management to solve the problems in the report to the Board; establish a performance appraisal system covering the effectiveness of risk management; establish a complete information technology system and data quality control mechanism.

Level 3: Compliance Management Headquarters, Legal Affairs Headquarters, Risk Management Headquarters, Internal Auditing Headquarters

At the third level of the Company's risk control framework is the collaborative comprehensive risk management arrangement through which the Compliance Management Headquarters, Legal Affairs Headquarters, Risk Management Headquarters, Internal Auditing Headquarters work together to manage risks.

The Compliance Management Headquarters assists the Chief Compliance Officer to formulate compliance policies and compliance rules and procedures, supports the implementation of compliance policies and procedures, provides recommendations and advice on compliance to the management, branch outlets and subsidiaries, and monitors compliance with laws and regulations in the Company's business and management business. It also drives business departments, branch outlets and subsidiaries to evaluate, develop, revise, update and improve their internal procedures and business processes to reflect changes in the laws, regulations and standards; conducts compliance pre-clearance on internal management rules and procedures, major decisions, new products, new business offerings and major business; perform regular and temporary reporting obligations to regulatory authorities, and be responsible for controlling compliance risks faced by the Company and related businesses..

The main responsibilities of the Legal Affairs Headquarters: under the leadership of the Company's board of directors and the board of supervisors, assist the Company's managers to build a legal management system and legal risk prevention mechanism, participate in the Company's major economic business, provide legal opinions for major business decisions, and be responsible for Company contract management, litigation and arbitration management and asset preservation, responsible for the selection, management, and evaluation of the Company's legal consultants and other intermediaries that provide legal services, and provide legal support and consulting services for the Company's business management and the business development of various departments and branches, and organize the development legal education and training, organize and implement the prevention of illegal fund-raising, guide and coordinate affiliated enterprises to carry out legal risk prevention.

Risk Management Headquarters carries out risk control business in accordance with risk control objectives and policies laid down by the Board of Directors; provides recommendations to the Risk Management Committee for improving the Company's risk control environment in terms of risk control policies, objectives, corporate governance structure and internal controls; formulates risk management rules and procedures for the Company, supports the review of risk management rules and procedures, measures, risk management processes and risk control indicators developed by each business and management departments, and continuously supplements, improves and updates risk control policies to help establish sound comprehensive corporate risk control mechanisms across the Company; identifies, assesses, and monitors various risks in business operations and transactions, and on this basis, establish and improve the cycle processing and feedback process of risk policy, risk identification, risk assessment and measurement, risk control, risk monitoring, risk reporting and analysis; regularly inspect, monitor, and evaluate the implementation of risk control systems and procedures by various departments, branches and subsidiaries, and if necessary, conduct regular or irregular inspections on the implementation of risk control, and deal with the risks found in a timely manner and implement relevant reporting procedures; establish communication and cooperation in risk control with various departments, branches and subsidiaries.

Internal Auditing Headquarters has overall responsibility for the internal audit function, including organizing comprehensive audits across the Company, monitoring the implementation of and compliance with internal control rules and procedures, minimizing ethical and policy risks and assisting the investigation of emergencies.

Level 4: Business and management departments, branch outlets and subsidiaries

The fourth level of risk control is the front-line risk control systems by business departments branch outlets and subsidiaries, which are responsible for developing their own internal control system and risk control measures, ensuring proper risk control within their jurisdiction, and reporting risk issues in a timely manner to the Risk Management Department or Compliance Management Department.

The Group adopts the above risk management framework and continuously improves its risk control to ensure that the risks are measurable and controlled within acceptable limits.

1. Credit risk

Credit risk refers to the risk of losses due to defaults by financing parties, counterparties or issuers. The Company's credit risks mainly come from financial assets which include bank balances, clearing settlement funds, financial assets at fair value through other comprehensive income, financial assets held under resale agreements, financial assets at amortized costs, margin accounts receivable, entrusted loans, other current assets and refundable deposits.

The Group's bank balances are mainly deposited with state-owned commercial banks or joint-stock commercial banks, while clearing settlement funds are deposited in the China Securities Depository and Clearing Corporation Limited, with a relatively low level of credit risk.

In terms of proprietary trading, if the transaction is through a stock exchange or China Securities Depository and Clearing Corporation Limited the default risk of counterparty is low, but for inter-bank market transactions, the Group will assess the counterparties and only select those with an accepted credit rating. The Company invests in debt securities with acceptable credit ratings and monitors the operations and credit ratings of the issuers.

Margin financing assets include advances to margin customers and securities lent to customers. Credit risks associated with these financial assets mainly relate to customers' inability to repay the principal, interest or securities borrowed. The Group supervises finance trading accounts on an individual customer basis, and would require additional margin, cash collateral or securities if necessary. Margin accounts receivable are monitored based on collateral rates to ensure that the value of collateral assets is sufficient to cover the advance. As of 30 June, 2021 and 31 December, 2020, the collateral value of the Group's customers is sufficient to resist the credit risk of financing business.

The Group's credit risk also arises from the securities and futures brokerage business. If a customer fails to deposit sufficient trading funds, the Group may use their own funds to complete the settlement. The Group requires customers to deposit all cash required in trading before it settles on behalf of customers, so as to mitigate and manage the credit risk properly.

The Group enters into entrusted lending business as part of the financial assets measured at amortized cost. Credit risk management approaches over those loans and advances to customers include project initiation, due diligence, internal assessment, decision-making and post-lending monitoring. The Group assesses both the borrowers' credit risk and the rewards and sets risk mitigation measures such as guarantee. Loans and advances to customers are approved by the authorized approvers. The Group constantly monitors the entrusted funds. Key negative indications that may have impact on the borrowers' solvency are reported timely, and the Group takes action accordingly to control the risks

The Group invests in financial products, trust plans, asset management plans with proper approval process.

Control of credit risk from securities financing business is realized primarily through risk education for customers, credit investigation and verification on customers, credit management, risk assessment on collateralized (pledged) securities, reasonable setting of indication of defaulting customers, financing of customers with insufficient guaranteed securities and normal customers, the Company will perform the provision for impairment in accordance with prudential principles by complying with the accounting standards of China Accounting Standards for Business Enterprises 22.

(1) Expected credit loss measurement

Since the first implementation of the new financial instrument standards on 1 January, 2018, for financial assets measured at amortized cost (including margin accounts receivable, financial assets held under resale agreements, financial instruments measured at amortized cost) and financial assets instruments at fair value through other comprehensive income. The Company use general methods to measure its expected credit losses, models and assumptions are used in the measurement of expected credit losses. These models and assumptions relate to future macroeconomic conditions and customer credit behavior (for example, the likelihood of customer default and associated losses). The Company uses a simple method to measure the expected credit losses of accounts receivable and other receivable. According to the simple method, the Company measures the loss provision based on the expected credit losses of the entire duration

For financial assets that use general methods to measure expected credit losses, the Company uses an impairment model in which the credit quality of the financial assets has changed in three stages since the initial recognition of the financial assets to measure the expected credit losses respectively, including:

- A financial instrument that is not credit-impaired on initial recognition is classified in "Stage 1"and has its credit risk continuously monitored by the Company.

- If a significant increase in credit risk ("SICR") since initial recognition is identified, but it will not be regarded as the instrument for credit impairment, the Company will transfer it to "Stage 2".

- If the financial instrument is credit-impaired, the financial instrument is then moved to "Stage 3".

Stage 1: The Company measures the loss allowance for a financial instrument at an amount equal to the next 12 months ECL; Stages 2 and 3: The Company measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL. Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition and the Company has measured the loss allowance for such a financial instrument at an amount equal to the lifetime ECL

For such financial assets classified under Stages 1 and 2, management assesses credit loss allowances using the risk parameter modelling approach that incorporates key parameters, including probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"). For credit-impaired financial assets classified under Stage 3, management assesses the credit loss allowances by estimating the cash flows expected to arise from the financial assets after taking into consideration forward looking factors.

The measurement of ECL adopted by management according to China Accounting Standards for Business Enterprises, involves judgements, assumptions and estimations, including: determination of the criteria for SICR; selection of the appropriate models and assumptions; establishment of the number and relative weightings of forward-looking scenarios for each type of product.

(2) Measuring ECL – inputs, assumptions and estimation techniques

The ECL are measured on either a 12-month (12M) or Lifetime basis depending on whether SICR has occurred since initial recognition or whether an asset is considered to be credit-impaired.

The Company takes full account of forward-looking information when measuring ECL. ECL is the result after discounting the product of PD, LGD and EAD that takes into account the forward-looking impact:

- PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. For margin loan financing, the Company determines the PD by borrower, based on factors including the coverage ratio of margin loans to underlying collateral value and, the volatility of such collateral's valuation. For debt securities investments, the external credit rating and related PD are taken into consideration.

- Loss Given Default (LGD) represents the Company's expectation of the extent of loss on a defaulted exposure. For margin loan financing, the Company determines LGD, based on factors including the realizable value of collateral upon forced liquidation taking into consideration the estimated volatility over the realization period. For debt securities investments, LGD is determined based on assessed publicly available information from credit rating agencies, and the type of securities.

- EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).

(3) Judgment criteria of significant increase in credit risk

The Company evaluates the financial instruments at each financial statement date after considering whether SICR has occurred since initial recognition. An ECL allowance for financial assets is recognized according to the stage of ECL, which reflects the reasonable information and evidence available about the SICR and is also forward-looking. The Company considers a financial instrument to have experienced SICR when one or more of the following quantitative, qualitative or backstop criteria have been met.

The Company considers margin financing to have experienced SICR if margin calls were triggered by a decrease of the ratio of margin loan to collateral below liquidation line.

A financial instrument is considered to have experienced SICR if the borrower or the debtor is overdue for more than 30 days after the contract payment date.。

On 30 June, 2021, the Company has used the low credit risk exemption for financial instruments, such as cash and bank accounts, settlement reserve, refundable deposits, financial assets held under resale agreements, and no longer compared whether the credit risk on the balance sheet date increased significantly compared with that at the time of initial recognition.

(4) Definition of credit-impaired assets

The Company considers whether a financial instrument is credit-impaired according to IFRS 9 based on criteria, which is consistent with the internal credit risk management practice. The consideration includes quantitative criteria and qualitative criteria. The Company defines a financial instrument as credit-impaired, which is fully aligned with the definition of in default, when it meets one or more of the following criteria:

- The borrower is more than 90 days past due on its contractual payments;

- For margin financing and stock-pledged repurchase agreements, a forced liquidation of a client's position triggered when the collateral valuation falling short of the related loan amounts;

- The latest external ratings of issuers of debt securities or debt securities themselves are in default grade;

- The debtor is in significant financial difficulty;

- An active market for that financial asset has disappeared because of financial difficulties;

- Concessions have been made by the lender relating to the debtor's financial difficulty;

- It is becoming probable that the debtor will enter bankruptcy or other financial restructure.

When a financial asset is considered to be credit-impaired, it may be from multiple events, not due to a separately identifiable event.

(5) Forward-looking information

The assessment of SICR and the calculation of ECL incorporate forward-looking information. The Company has analyzed historical data and identified the economic variable impacting credit risk and ECL for each financial instrument portfolio. The impact of the economic variable on the PD has been determined by performing historical statistical regression analysis to forecast the expected changes in the variable on default rates.

In addition to the base economic scenario, the Company also identifies other possible scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure non-linarites are captured. The number of scenarios and their attributes are reassessed at each financial statement date.

As at 1 January, 2021 and 30 June, 2021, for all portfolios the Company concluded that 3 scenarios appropriately captured non-linarites of economic variable. The scenario weightings are determined by a combination of statistical analysis and experts' judgement, taking account of the range of possible outcomes represented by each scenario

The assessment of SICR is performed using the Lifetime PD under each of the base, and the other scenarios, multiplied by the associated scenario weighting, along with qualitative and backstop indicators. The Company measures ECL as either a probability weighted 12-month ECL (Stage 1), or a probability weighted lifetime ECL (Stage 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes.。

(6) Sensitivity analysis

The allowance for credit losses is sensitive to the inputs used in internally developed models, macroeconomic variable in the forward-looking forecasts, economic scenario weighting and other factors considered when applying expert judgment. Changes in these inputs, assumptions and judgments impact the assessment of SICR and the measurement of ECL.

(7) Collateral and other credit enhancements

The Company employed a range of policies and credit enhancements to mitigate credit risk exposure to an acceptable level. The most common of these is accepting collateral for funds advanced or guarantees. The Company determined the type and amount of collaterals according to the credit risk evaluation of counterparties. The collaterals under margin financing and purchase and resale agreements are primarily stocks, debt securities, funds etc. Management will exercise margin calls according to related agreements based on the market value fluctuation of collaterals, and monitor the changes in the market value of the collateral during the adequacy review of loss preparations.

(8) Maximum credit risk exposure

The Group's financing business customers have considerable asset quality. Exceed 90% of the Margin accounts receivable and bond reverse repurchase business maintain guarantee ratios above the liquidation line, and there is sufficient collateral information to indicate that the assets are not expected to default.

The maximum credit risk exposure of the Group is as follows:

Expressed in RMB'0000

Item	30 June 2021	31 December 2020
Cash and bank balances	1,222,199.67	1,095,113.10
Clearing settlement funds	251,695.49	237,910.01
Margin accounts receivable	758,618.32	740,075.71
Refundable deposits	87,603.21	74,487.87
Accounts receivable	9,031.06	16,932.35
Financial assets held under resale agreements	163,048.27	205,596.49
Financial assets at fair value through profit or loss	1,966,808.16	2,029,715.88
Financial assets measured at amortized cost	36,568.17	45,616.89

Item	30 June 2021	31 December 2020
Financial assets at fair value through other comprehensive income	182,856.62	208,880.51
Other assets	129,735.68	132,664.80
Total	4,808,164.65	4,786,993.61

(9) Credit quality analysis

The credit quality of each financial asset item is as follows on 30 June, 2021:

Expressed in RMB'0000

Item	Stage 1	Stage 2	Stage 3	Total
Loans and entrusted loans	75,923.54	4,897.00	29,554.23	110,374.77
Margin accounts receivable	755,267.15	5,615.96	4,957.64	765,840.75
Financial assets at fair value through other comprehensive income	171,360.31		11,496.31	182,856.62
Financial assets measured at amortized costs	2,118.74		59,452.25	61,570.99
Financial assets held under resale agreements	121,711.89		73,261.40	194,973.29
Subtotal	1,126,381.63	10,512.96	178,721.83	1,315,616.42
Less: Provision for impairment	2,891.04	143.24	85,543.45	88,577.73
Total	1,123,490.59	10,369.72	93,178.38	1,227,038.69

2. Liquidity risk

Liquidity risk refers to the risk that the company cannot obtain sufficient funds in time at a reasonable cost to pay its due debts, fulfill other payment obligations and meet the capital needs of normal business.

In order to prevent liquidity risk, the following measures are taken: first, strengthen the management of capital position and cash flow, adopt the advance reservation mode of large amount of funds, strengthen the monitoring and management of large amount of funds, scientifically predict the cash flow gap in different time periods in the future, and ensure the consistency of financing arrangement and business capital utilization rhythm; Second, actively expand financing channels, comprehensively use a variety of financing methods, balance the distribution of debt maturity, improve the diversification and stability of financing, and avoid the repayment risk due to too single financing channels or concentrated debt maturity; Third, establish the operation and management mechanism of liquidity reserve funds, reasonably set the minimum holding scale of liquidity reserve funds and the allocation proportion of high-quality liquidity assets, hold sufficient high-quality liquidity assets, and ensure that the company can realize sufficient funds in time to deal with the capital gap under normal and pressure situations; Fourth, adopt the risk monitoring system with net capital and liquidity as the core to monitor the risk control indicators, and use stress test to evaluate the impact of business activities on the company's liquidity; Fifth, establish and continuously improve the liquidity risk emergency mechanism, and regularly conduct emergency drills on liquidity risks to ensure the timeliness and effectiveness of the company's liquidity crisis response.

The financial liabilities held by the group are analyzed as follows according to the maturity of undiscounted remaining contractual obligations:

Expressed in RMB'0000

Non-derivative financial liabilities	30 June, 2021							
	Current	Within 1 month	1-3 months	3 months to 1 year	1 to 5 years	More than 5 years	Indefinite	Total
Short-term loans				32,305.83				32,305.83
Short-term financing instruments payable		78,951.26	171,943.79	551,395.17				802,290.22
Due to banks and other financial institutions		190,390.75	30,212.33	30,424.67				251,027.75
Financial liabilities at fair value through profit or loss		32,415.06			73,756.77			106,171.83
Financial assets sold under repurchase agreements		1,165,608.18						1,165,608.18
Accounts payable to brokerage clients	119,555.83	1,014,424.43						1,133,980.26
Bonds payable					384,583.20			384,583.20
Accounts payable							17,040.50	17,040.50
Long-term borrowings					103.28			103.28
Other liabilities							40,686.48	40,686.48
Total	119,555.83	2,481,789.68	202,156.12	614,125.67	458,443.25		57,726.98	3,933,797.53

Continue:

Non-derivative financial liabilities	31 December, 2020							
	Current	Within 1 month	1-3 months	3 months to 1 year	1 to 5 years	More than 5 years	Indefinite	Total
Short-term loans		31,644.25						31,644.25
Short-term financing instruments payable		8,655.70	79,686.52	334,574.57				422,916.79
Due to banks and other financial institutions		249,466.89	120,847.99					370,314.88
Financial liabilities at fair value through profit or loss		77,898.63			57,724.03			135,622.66

Non-derivative financial liabilities	31 December, 2020							
	Current	Within 1 month	1-3 months	3 months to 1 year	1 to 5 years	More than 5 years	Indefinite	Total
Financial assets sold under repurchase agreements		1,200,820.87	19,829.62					1,220,650.49
Accounts payable to brokerage clients	87,081.66	968,441.40						1,055,523.06
Bonds payable					493,795.39			493,795.39
Accounts payable							6,587.46	6,587.46
Long-term borrowings					106.11			106.11
Other liabilities							25,339.27	25,339.27
Total	87,081.66	2,536,927.74	220,364.13	334,574.57	551,625.53		31,926.73	3,762,500.36

3. Market risk

Market risk refers to the risk of the fair value of financial instruments held due to adverse changes in market prices, including stocks and derivatives, interest rate risk, price risk, exchange rate risk, etc. Since the Company's main positions are self-operated investments, the price risk and interest rate risk of stocks and derivatives have a greater impact on the investment business.

In terms of market risk, the Company follows the principles of soundness and prudence, accurately defines, uniformly measures and prudently evaluates the market risk the Company bears. For the directional investment business, the company adheres to a risk-controllable and moderate-scale risk management strategy, and assumes a moderate-scale risk position.

(1) Exchange rate risk

The fluctuation of exchange rate will bring certain exchange risk to the group. As of 30 June, 2021, the group's foreign currency assets converted into RMB accounted for 4.08% of total assets and foreign currency liabilities converted into RMB accounted for 3.35% of total liabilities. Due to the low proportion of foreign currency in the group's asset liability and income structure, the Group believes that exchange rate risk has little impact on operation.

(2) Interest rate risk

Interest rate risk refers to the risk of fluctuations in the financial status and cash flow of the Group due to changes in market interest rates. The interest-earning assets of the Group affected by changes in market interest rates are mainly bank deposits, clearing settlement funds, refundable deposits, and debt investments.

The Group utilizes sensitivity analysis as the main tool for monitoring interest rate risk. Under the assumption that other variables remain unchanged, sensitivity analysis is adopted to measure the possible impact on total profits and shareholder equity when changes in interest rates occur. The Group's bond investment is mainly based on a steady buy-and-hold strategy and a spread arbitrage strategy. The proprietary business magnification, bond rating and duration are controlled to prevent and reduce interest rate risks.

The table below presents the residual maturities of the Group's financial assets and liabilities before their contractual re-pricing dates or their maturity dates (whichever are earlier):

Expressed in RMB'0000

Item	30 June, 2021						
	Within 1 month	1-3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	Total
Cash and bank balances	1,222,188.52					11.15	1,222,199.67
Clearing settlement funds	251,695.49						251,695.49
Margin accounts receivable	121,275.89	137,052.45	500,289.98				758,618.32
Derivative financial assets							-
Refundable deposits						87,603.21	87,603.21
Accounts receivable						9,031.06	9,031.06
Financial assets held under resale agreements	79,829.14	40,665.05	36,809.08	5,745.00			163,048.27
Financial assets at fair value through profit or loss	32,329.01	29,145.26	1,356,068.92	169,318.40	70,157.59	694,719.55	2,351,738.73
Financial assets at amortized costs	32,945.66		2,108.25	1,514.26			36,568.17
Financial assets at fair value through other comprehensive income		1,032.01	26,463.18	148,173.85	7,187.58		182,856.62
Other assets	17,447.00	12,785.00	48,317.00	752.27	1,194.41	36,324.79	116,820.47
Subtotal of financial assets	1,757,710.71	220,679.77	1,970,056.41	325,503.78	78,539.58	827,689.76	5,180,180.01
Short-term loans			32,305.07				32,305.07
Short-term financing instruments payable	78,809.00	170,455.66	536,937.82				786,202.48
Due to banks and other financial institutions	190,333.34	30,109.67	30,000.00				250,443.01
Financial liabilities at fair value through profit or loss	32,415.06			73,756.77			106,171.83

Item	30 June, 2021						
	Within 1 month	1-3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	Total
Financial assets sold under repurchase agreements	1,165,608.18						1,165,608.18
Accounts payable to brokerage clients	1,014,424.43					119,555.83	1,133,980.26
Derivative financial liabilities						34.62	34.62
Bonds payable				355,699.42			355,699.42
Accounts payable						17,040.50	17,040.50
Long-term borrowings				100.16			100.16
Other liabilities						26,728.84	26,728.84
Subtotal of financial liabilities	2,481,590.01	200,565.33	599,242.89	429,556.35		163,359.79	3,874,314.37
Interest rate sensitivity gap	-723,879.30	20,114.44	1,370,813.52	-104,052.57	78,539.58	664,329.97	641,535.67

Continue:

Item	31 December, 2020						
	Within 1 month	1-3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	Total
Cash and bank balances	1,095,094.57					18.53	1,095,113.10
Clearing settlement funds	237,910.01						237,910.01
Margin accounts receivable	60,815.68	211,904.24	467,355.79				740,075.71
Derivative financial assets							
Refundable deposits						74,487.87	74,487.87
Accounts receivable						16,932.35	16,932.35
Financial assets held under resale agreements	126,178.03	441.47	73,955.86	5,021.13			205,596.49
Financial assets at fair value through profit or loss	34,198.68	15,747.64	458,734.50	1,147,611.52	297,037.16	305,927.75	2,259,257.25
Financial assets at amortized costs	43,497.64	1,120.40	599.56	399.29			45,616.89

Item	31 December, 2020						
	Within 1 month	1-3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	Total
Financial assets at fair value through other comprehensive income	5,122.99	11,068.17	182,048.99	10,640.36			208,880.51
Other assets	2,911.85	7,546.79	59,521.86	2,602.62	1,365.29	38,988.56	112,936.97
Subtotal of financial assets	1,605,729.45	247,828.71	1,242,216.56	1,166,274.92	298,402.45	436,355.06	4,996,807.15
Short-term loans	31,597.76						31,597.76
Short-term financing instruments payable	8,641.78	79,201.92	327,622.08				415,465.78
Due to banks and other financial institutions	249,362.49	120,079.33					369,441.82
Financial liabilities at fair value through profit or loss	77,898.63			57,724.03			135,622.66
Financial assets sold under repurchase agreements	1,200,220.82	19,810.00					1,220,030.82
Accounts payable to brokerage clients	968,441.40					87,081.66	1,055,523.06
Derivative financial liabilities						5.80	5.80
Bonds payable				461,025.03			461,025.03
Accounts payable						6,587.46	6,587.46
Long-term borrowings				100.17			100.17
Other liabilities						25,339.27	25,339.27
Subtotal of financial liabilities	2,536,162.88	219,091.25	327,622.08	518,849.23		119,014.19	3,720,739.63
Interest rate sensitivity gap	-930,433.43	28,737.46	914,594.48	647,425.69	298,402.45	317,340.87	958,726.65

(3) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's price risk exposure mainly relates to investments in equity, securities, investment funds, convertible bonds, derivatives and collective asset management plans whose values will fluctuate as a result of changes in market prices. These investments are all investments in the domestic capital markets. The Group is subject to relatively high market risk due to the high volatility of the domestic stock markets.

The Group's price risk management policy requires setting and managing investment objectives. The directors of the Group manage price risk by holding an appropriately diversified investment portfolio, setting limits for investments in different securities and closely monitoring the portfolio of investments to reduce the risk of concentration in any one specific industry or issuer. The Group uses derivatives contracts to economically hedge against certain exposures arising from its investment portfolio.

The analysis below shows the impact on profit before income tax and other comprehensive income before income tax due to change in the prices of stocks, bonds, funds, convertible bonds, derivatives and collective asset management plans by 10%, assuming all other variables remain unchanged. A positive result indicates an increase in profit before income tax and other comprehensive income before income tax, while a negative result indicates otherwise.

Expressed in RMB'0000

Item	30 June, 2021		31 December, 2020	
	Profit before tax	Other comprehensive income	Profit before tax	Other comprehensive income
Increase by 10%	36,862.33	18,285.66	23,385.33	20,888.05
Decrease by 10%	-36,862.33	-18,285.66	-23,385.33	-20,888.05

4. Operational risk

Operational risk is the risk of loss to the Group due to the imperfection or failure of personnel, internal procedures and systems, as well as the impact of external events.

The Group emphasizes the matching of business scale, profit and risk management ability, and does not sacrifice the control of operational risk for the pursuit of profit. The Group emphasizes to carry out the business of various securities companies under the premise of sound control of operational risks. In the case of cost permitting, the Group will continue to strengthen the operational risk management system and implement the internal control system to achieve the controllability of operational risk under the established business income.

5. Compliance risk

Compliance risk refers to the risk of the Company being legally held accountable, subjected to supervisory measures, given self-discipline penalties or suffering from loss of property or reputation arising from violation of laws, regulations or rules by the operation and management or licensed practices of the Company or its personnel.

The Company's Compliance Management Department keeps track of laws, regulations and guidelines in a timely manner, and continuously improves the Company's compliance management system based on the actual situation of the Company; supervises each Company unit to timely improve the internal management systems and optimize the business processes in accordance with changes in laws, regulations and standards; provides compliance advice and consultation for the Company's management and various units; conducts compliance reviews of the Company's internal management systems, major decisions, new products, new business plans, etc.; strengthens the training of compliance administrators of relevant units, and creates a team of compliance administrators with strong compliance awareness and professional capabilities; timely identifies, evaluates and manages the relevant compliance risks in the Company's operation and management through compliance monitoring, supervision and inspection, compliance management, effectiveness assessment and other measures, and integrates compliance management into decision-making, execution, supervision, feedback and other links, and integrates into the whole process of company operation and management; organizes money laundering risk prevention and control work in accordance with the Company's anti-money laundering system; strictly implements compliance assessment and accountability mechanisms to provide strong guarantees for compliance management; performs regular and ad hoc compliance reporting obligations to regulatory authorities; the Company carried out the construction of compliance culture, strengthened compliance publicity, and improved the self-restraint mechanism to ensure compliance operation and standardized development.

During the Reporting Period, the Compliance Management Headquarters strengthened the Company's compliance inspections for key business and key areas, mainly involving comprehensive inspections on self-inspection and self-correction, special inspections on integrity practices, verification of employee securities account openings, special inspections for compliance assessment in 2020, investor suitability special inspection, brokerage business branch compliance and antimony laundering inspection, investment bank equity business issuance and underwriting special inspection and other 12 items, supervising all units to effectively identify, prevent and resolve compliance risks. At the same time, the Company optimized the functional modules and parameter settings of the anti-money laundering management system 4.0, added compliance administrator review nodes and high-risk customer due diligence modules, improved the blacklist monitoring and early warning processing process, and further increased the Company's money laundering risk management ability.

6. Capital management

The Group's objectives of capital management are:

- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;

- To support the Group's stability and growth;
- To maintain a strong capital base to support the development of their business;
- To comply with the capital requirements under the PRC regulations.

In accordance with Administrative Measures for Risk Control Indicators of Securities Companies (Revision 2016) issued by the China Securities Regulatory Commission and effective on 1 October, 2016, the Company is required to meet the following standards for risk control indicators on a continual basis:

- The risk coverage ratio shall be no less than 100%;
- The capital leverage ratio shall be no less than 8%;
- The liquidity coverage ratio shall be no less than 100%;
- The net stable funding ratio shall be no less than 100%.

IX. Fair value

1. Financial instruments measured at fair value

The company presents the book value of financial instruments measured at fair value on 30 June, 2021 according to three levels of fair value. When the fair value is classified into three levels as a whole, it is based on the lowest of the three levels of important input values used in fair value measurement. The three levels are defined as follows:

Level 1: it refers to the unadjusted quotation of the same assets or liabilities that can be obtained on the measurement date in the active market;

Level 2: it refers to the directly or indirectly observable input value of relevant assets or liabilities in addition to the input value of level 1;

The second level input values include: 1) quotation of similar assets or liabilities in the active market; 2) Quotation of the same or similar assets or liabilities in the inactive market; 3) Other observable input values other than quotation, including observable interest rate and yield curve, implied volatility and credit spread during normal quotation interval; 4) Input values for market validation, etc.

Level 3: it is the unobservable input value of related assets or liabilities.

2. Fair value measurement at the end of the period

(1) Continuous fair value measurement

Items	Fair value at the end of the period			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	7,120,670,821.46	14,380,655,460.07	2,016,061,037.08	23,517,387,318.61
(1) Bond investment	6,313,030,628.57	9,817,608,623.03	335,438,792.99	16,466,078,044.59
(2) Equity investment	466,612,594.06	57,081,671.25	725,828,698.50	1,249,522,963.81
(3) Public fund	341,027,598.83	2,258,755,183.25	-	2,599,782,782.08

Items	Fair value at the end of the period			
	Level 1	Level 2	Level 3	Total
(4) Others		2,247,209,982.54	954,793,545.59	3,202,003,528.13
Financial assets at fair value through other comprehensive income	547,936,028.90	1,165,667,036.78	114,963,106.85	1,828,566,172.53
Total Assets	**7,668,606,850.36**	**15,546,322,496.85**	**2,131,024,143.93**	**25,345,953,491.14**
Financial liabilities at fair value through profit or loss	324,150,598.08		737,567,707.81	1,061,718,305.89
Derivative financial liabilities	346,155.17			346,155.17
Total liabilities	**324,496,753.25**	**-**	**737,567,707.81**	**1,062,064,461.06**

3. Basis for determining the market price of the first level fair value measurement project

The fair value of financial instruments traded in an active market shall be determined according to the market quotation on the date of financial report. If quotations are obtained from exchanges and dealers on a timely and regular basis, and such quotations reflect actual and regular market transactions based on fair negotiation, a market is deemed to be active. The fair value is determined by the closing price on the financial reporting date. Such instruments are included in the first level. The instruments included in the first level mainly include the Trading Securities of Shanghai Stock Exchange and Shenzhen Stock Exchange listed as trading financial assets and other debt investments.

4. For the items measured at the second level fair value continuously and non-continuously, the valuation technology and the qualitative and quantitative information of important parameters are adopted

The fair value of financial instruments purchased in the inactive market is determined by valuation technology. These valuation techniques make full use of available observable market data and do not rely on entity specific estimates as much as possible. If all the main input parameters required to measure an instrument at fair value can be observed, the instrument is included in the second level.

Bond investment:

Bond investment shall be quoted by the valuation system of bond registration and settlement institutions. For bonds traded in the inter-bank bond market, including government bonds, corporate bonds, commercial bills, special financial bills, central bank bills and other fixed income bonds, the quotation of the valuation system of bond registration and settlement institutions adopts the observable input value reflecting the market conditions as the fair value.

Equity investment:

The fair value of stocks listed on the National SME share transfer system is based on the closing price on the balance sheet date. Due to the low transaction frequency, it is adjusted according to the valuation technology. The adjustment is based on the potential maximum loss, which is the confidence level determined according to the changes of interest rate, stock price and exchange rate in a certain period. The above parameters are observable.

Public fund:

The fair value of public funds shall be determined according to the net asset value of the fund on the balance sheet date. The net asset value of the fund is usually determined based on the fair value and related expenses of the underlying investment (debt instruments in the portfolio or publicly traded equity instruments), or valued by a third party (such as a registrar and clearing institution) according to the discounted cash flow model.

Others:

Other financial assets invested by the company are mainly collective asset management products, fund financial products, private equity funds and bank financial products. The fair value is determined by the net value of the product corresponding to its share or by using valuation techniques. The observable input values required by the valuation technology include the market price and interest rate of the investment target. These are observable inputs.

The following table lists the relevant valuation techniques and input parameters of the main financial instruments at the second level:

Financial instruments	Fair value level	Valuation technology and main input parameters	Important unobservable input parameters	Impact of unobservable input parameters on fair value
Trading financial assets				
Bonds				
Interbank market bond	Second level	Quotation of valuation system of bond registration and settlement institutions	Not applicable	Not applicable
Stocks				
Shares of the National SME share transfer system	Second level	Based on the closing price on the balance sheet date and adjusted according to the valuation technology	Not applicable	Not applicable
Public fund				
Public fund	Second level	Net asset value of the fund on the balance sheet date	Not applicable	Not applicable
Others				
Collective asset management products, fund financial products, private equity funds and bank financial products	Second level	Net value of products corresponding to their share or using valuation Technology	Not applicable	Not applicable
Other debt investment				
Bond				

Financial instruments	Fair value level	Valuation technology and main input parameters	Important unobservable input parameters	Impact of unobservable input parameters on fair value
Interbank market bond	Second level	Quotation of valuation system of bond registration and settlement institutions	Not applicable	Not applicable

5. For the items measured at fair value at the third level of continuous and non-continuous, the valuation techniques and the qualitative and quantitative information of important parameters are adopted

(1) Valuation technology and input value description

If one or more main input parameters are not determined based on observable market data, the tool is included in Level 3. For unlisted equity investment, bond investment, trust products and financial liabilities, the company uses valuation technology to determine their fair value, including discounted cash flow method and market comparison method. Its fair value is measured by important unobservable parameters, such as liquidity discount, volatility and market multiplier. The fair values of unlisted equity investments, bond investments, other investments and financial liabilities are not significantly sensitive to the reasonable changes of these unobservable inputs.

From January to June 2021, the valuation technology used by the group for the above continuous level 3 fair value measurement has not changed.

(2) Unobservable input value information

For the third level financial instruments, the fair value is determined by valuation method (such as discounted cash flow model and other similar technologies). The third level of fair value measurement classification is generally determined by the importance of non-observable input parameters to the measurement of overall fair value. The following table lists the relevant valuation techniques and input parameters of the main financial instruments at the third level:

Financial assets / financial liabilities	Fair value level	Valuation technology and main input parameters	Important unobservable input parameters	Relationship between unobservable input parameters and fair value
Trading financial assets				
-Bank financial products -Asset management products of securities companies	The third level	-Discount the future cash flow estimated based on the expected recoverable amount at the discount rate reflecting the management's best estimate of the expected risk level;	-Expected future cash flow; -Expected recovery date; -The discount rate corresponding to the expected risk level;	-The higher the future cash flow, the higher the fair value; -The earlier the payment date, the higher the fair value; -The lower the discount rate, the higher the fair value;
-Trust plan	The third level	-Discount the future cash flow estimated based on the expected recoverable amount at the discount rate reflecting the management's best estimate of the expected risk level;	-Expected future cash flow; -Expected recovery date; -The discount rate corresponding to the expected risk level;	-The higher the future cash flow, the higher the fair value; -The earlier the payment date, the higher the fair value; -The lower the discount rate, the higher the fair value;
-Private placement bonds, corporate bonds and convertible bonds	The third level	-Discount the future cash flow estimated based on the expected recoverable amount at the discount rate reflecting the management's best estimate of the expected risk level;; -Option pricing model;	-Expected future cash flow; -Expected recovery date; -The discount rate corresponding to the expected risk level; -Stock price volatility	-The higher the future cash flow, the higher the fair value; -The earlier the payment date, the higher the fair value; -The lower the discount rate, the higher the fair value; -The greater the fluctuation of stock price, the higher the fair value;

Financial assets / financial liabilities	Fair value level	Valuation technology and main input parameters	Important unobservable input parameters	Relationship between unobservable input parameters and fair value
-Unlisted equity	The third level	-Adopt the comparable company method to select comparable companies in the same industry similar to the important financial indicators of the target company, and calculate the PE, PB and PS of comparable companies; Considering the liquidity discount, estimate the expected exit date of equity, calculate the volatility of comparable companies, and use the option model to calculate the liquidity discount of comparable companies	-Expected recovery date -Stock price volatility	-The earlier the expected recovery date, the higher the fair value; -The greater the fluctuation of stock price, the higher the fair value;
-Trading financial liabilities	The third level	-Discount the future cash flow estimated based on the expected recoverable amount at the discount rate reflecting the management's best estimate of the expected risk level;	-Expected future cash flow -Expected payment date -Discount rate corresponding to expected risk level	-The higher the future cash flow, the higher the fair value; -The earlier the payment date, the higher the fair value; -The lower the discount rate, the higher the fair value;
-Derivative financial instruments	The third level	-The option pricing model is used for valuation, and the main input parameter is the volatility of the underlying instrument.	-Volatility of the underlying instrument	-The higher the volatility of the underlying instrument, the higher the fair value.

6. The movement of Level 3 financial instruments

Item	1 January 2021	Increase	Decrease	30 June 2021
Financial assets at fair value through profit or loss	1,286,539,048.95	729,521,988.13		2,016,061,037.08
Financial liabilities as at fair value through profit or loss	577,240,268.93	160,327,438.88		737,567,707.81
Financial assets at fair value through other comprehensive income	115,409,134.24		446,027.39	114,963,106.85

Continued:

Item	1 January 2020	Increase	Decrease	31 December 2020
Financial assets at fair value through profit or loss	1,209,210,826.77	77,328,222.18		1,286,539,048.95
Financial liabilities as at fair value through profit or loss	399,760,116.86	177,480,152.07		577,240,268.93
Financial assets at fair value through other comprehensive income		115,409,134.24		115,409,134.24
Derivative financial assets	11,265,850.93		11,265,850.93	
Derivative financial liabilities	44,320.00		44,320.00	

7. For the continuous fair value measurement project, if the conversion between various levels occurs in the current period, the reasons for the conversion and the policies for determining the conversion time point

The above continuous fair value measurement items of the company have not been converted between different levels in the current period.

8. Changes in valuation technology in the current period and reasons for changes

The fair value valuation technology of the company's financial instruments has not changed in the current period.

9. Fair value of financial assets and financial liabilities not measured at fair value

Financial assets and liabilities not measured at fair value mainly include: margin accounts receivable, financial assets held under resale agreements, accounts receivable, financial assets measured at amortized cost, short-term loans, accounts payable, short-term financing instruments payable, due to banks and other financial institutions, financial assets sold under repurchase agreements, accounts payable to brokerage clients, bonds payable and long-term loans, equity instrument investment without quotation in the active market and whose fair value cannot be reliably measured.

There is little difference between the book value and fair value of the above financial assets and liabilities not measured at fair value.

X. Related parties and related transactions

1. Parent company of the company

As of 30 June, 2021, Henan Investment Group Co., Ltd. (hereinafter referred to as Henan Investment Group) directly or indirectly holds the voting shares of the company, accounting for 20.99% of the total shares of the company (Note 1), and is the controlling shareholder of the company. The basic information of Henan investment group is as follows:

Name of parent company	Enterprise type	Place of registration	Nature of business	Legal representative	Uniform social credit code
Henan Investment Group	State-owned enterprise	Zhengzhou City	Investment management	Liu Xinyong	914100001699542485

Note 1: As of the end of the reporting period, Henan Investment Group held 822,983,847 A shares of the company, 46.733 million H shares of the company directly through its wholly-owned subsidiary Dahe Paper (Hong Kong) Co., Ltd. and 104.977 million H shares of the company through Hong Kong Stock Connect, with a total of 974,693,847 shares of the company, accounting for 20.99% of the total share capital of the company.

(1) The actual controller of the company is Henan Provincial Department of finance.

2. See note VII. I Equity in subsidiaries for details of subsidiaries of the company

3. Joint ventures and associates of the company

For important joint ventures or associates of the company, see note VII.2 Rights and interests in joint ventures and associates.

The associated enterprises are as follows:

Name of joint venture or associated enterprise	Relationship with the company
Zhongzheng Jiaotong Fund Management Co., Ltd	Associates of subsidiaries
Minquan County Innovation Industry Investment Fund (Limited Partnership)	Associates of subsidiaries
Henan Dahe Cailifang Media Holding Co., Ltd	Associates of subsidiaries
Henan Longfengshan Agriculture and Animal Husbandry Co., Ltd	Associates of subsidiaries
Luoyang Desheng Biotechnology Co., Ltd	Associates of subsidiaries

4. Major related parties without control relationship

Name of related party	Relationship with the company	Uniform social credit code / organization code
Zhongyuan Trust Co., Ltd	Ultimately controlled by the same controlling party	9141000016995301 8F
Henan Asset Management Co., Ltd	Ultimately controlled by the same controlling party	91410000MA448PJU6H

Name of related party	Relationship with the company	Uniform social credit code / organization code
Henan Huirong Human Resources Management Co., Ltd	Ultimately controlled by the same controlling party	91410105MA3X6PQ842
Henan Asset Fund Management Co., Ltd.	Ultimately controlled by the same controlling party	91410100MA456R9R3R
Bohai Industrial Investment Fund Management Co., Ltd	Shareholders holding more than 5%	911200007178678241
Angang Group International Trade Co., Ltd	Subsidiaries of non-controlling shareholders	91410500172267086K
Henan Yicheng New Energy Co., Ltd	Joint venture of affiliated enterprise groups	914102002681294387
Zhongyuan Bank Co., Ltd	Joint venture of affiliated enterprise groups	9141000031741675X6
Zhongyuan Environmental Protection Co., Ltd	Joint venture of affiliated enterprise groups	9141000016996944XD
Bank of Zhengzhou Co., Ltd	Joint venture of affiliated enterprise groups	914100001699995779
Henan Huaqi Energy Conservation and Environmental Protection Venture Capital Co., Ltd	Joint venture of affiliated enterprise groups	91410000071384697T
Hongyi Investment Management (Henan) partnership (limited partnership)	Joint venture of affiliated enterprise groups	91410100MA9G4DKW4X

5. Related party transactions

(1) Commission income generated from providing agency securities trading services

Name of related party	Jan-June 2021	Jan-June 2020
Bohai Industrial Investment Fund Management Co., Ltd	736,295.46	
Henan investment group and its subsidiaries and associates	14,710.50	38,305.35
Angang Group International Trade Co., Ltd	2,440.67	
Directors, supervisors and senior managers of the company and Henan investment group and their close family members	18,355.15	45,040.67

(2) Purchase of trust products

Name of related party	Content of related party transactions	Purchase trust balance	
		30 June 2021	31 December 2020
Zhongyuan Trust Co., Ltd	Purchase of trust products	100,594,690.38	103,037,790.26

(3) Loans from related parties

Name of related party	30 June 2021 / January to June, 2021		31 Dec 2020 / January to June 2020	
	Loan balance	Interest income	Loan balance	Interest income
Henan Longfengshan Agriculture and Animal Husbandry Co., Ltd	45,000,000.00	1,555,306.61	45,000,000.00	2,373,820.76

(4) Related transaction balance

Name of related party	Current account	Transaction content	30 June 2021	31 December 2020
Henan Investment Group	Accounts receivable	Income from asset management business	1,603,217.46	1,309,786.65
Luoyang Desheng Biotechnology Co., Ltd	Accounts receivable	Financial advisory fee	450,000.00	450,000.00

Continued:

Name of related party	Current account	Transaction content	30 June 2021	31 December 2020
Investment group associates	Financial assets at fair value through profit or loss	Financial product	20,416,783.22	7,000,000.00
Investment group associates	Bank deposit	Bank balance	66,285,638.27	377,648,985.84
Investment group associates	Other assets	Expenses		302,672.95
Investment group associates	Financial assets held under resale agreements	Outright repo		40,292,940.03

(5) Other related party transactions

Name of related party	Transaction content	Jan-June 2021	Jan-June 2020
Henan Investment Group Co., Ltd	Income from financial advisory fees and asset management business	276,821.53	610,694.61
Henan Dahe Cailifang Media Holding Co., Ltd	Expenses	632,402.07	259,433.96
Zhongzheng Jiaotong Fund Management Co., Ltd	Expenses		97,000.00
Henan Huirong Human Resources Management Co., Ltd	Expenses		16,311.61
Angang Group International Trade Co., Ltd	Revenue from sales of goods	3,284,070.79	
Henan Asset Management Co., Ltd	Bond investment income		41,793.69

Continued:

Name of related party	Transaction content	Jan-June 2021	Jan-June 2020
Investment group associates	Income from bank deposits and financial products	2,617,506.21	154,986.71
Investment group associates	Interest expense of pledged repo	402,394.09	71,147.96
Investment group associates	Bond investment income	25,313.15	702,758.77
Investment group associates	Interest income from buyout repurchase	15,899.51	58,527.24
Investment group associates	Income from financial advisory fees	1,037,735.85	1,886,792.45
Investment group associates	Bank loan interest expenses		67,534.46

(6) Counter guarantee for subsidiaries

As of 30 June, 2021, the company provided counter guarantee for Central China International Financial Holdings Co., Ltd. to Zhengzhou branch of China Merchants Bank Co., Ltd., with an accumulated counter guarantee amount of HK $335,000,000.00 (equivalent to RMB 278,746,800.00), and the counter guarantee period shall not exceed 12 months.

(7) Benefits of directors, supervisors and employees

1) Benefits of key management personnel

Key management personnel include members of the board of directors, the board of supervisors and other senior managers. From January to June 2021, the benefits (before tax) paid and payable by the company to key management personnel is as follows:

Item	Jan-June 2021	Jan-June 2020
Benefits of key management personnel (before tax)	20,190,050.60	11,875,369.86

2) Loans and advances to key management personnel

At the end of the reporting period, the company did not make loans and advances to the members of the board of directors, the board of supervisors and other senior managers.

XI. Commitments and Contingencies

1. Significant commitments

(1) Capital commitments

The Company has entered into a contract but has not confirmed the capital commitment in the financial statements as follows:

Item	30 June 2021	31 December 2020
Contracted but not paid	51,249,305.77	32,184,984.30
Total	51,249,305.77	32,184,984.30

In addition to the above undertakings, as of 30 June, 2021, the company has no other major commitments that should be disclosed.

2. Significant contingencies

The Company has no significant contingencies that need to be disclosed.

XII. Events after the balance sheet date

1. Significant non adjustment events

(1) Implementation of capital increase to Central China International Financial Holdings Co., Ltd.

On 29 April, 2020, the 19th meeting of the sixth board of directors of the Company reviewed and approved the "Proposal on Capital Increase in Hong Kong Subsidiary Central China International Financial Holdings Co., Ltd." and agreed to increase the capital of Central China International Financial Holdings Co., Ltd. By HK$500 million to HK$1 billion. In January 2021, the Company received the "Response Letter Regarding the Opinions of Central China Securities Co., Ltd. on the Capital Increase of Central China International Financial Holdings Co., Ltd." (Organization Department Letter [2021] No. 275) issued by the China Securities Regulatory Commission. As of 30 June, 2021, the company has completed a capital increase of HK $800 million to Central China International. On 3 July, 2021, Central China International completed the registration formalities in the Hong Kong company registry, and the registered capital was changed to HK $1.8 billion.

(2) Shareholders bid collectively to reduce the shares

The company's shareholder Bohai Industry Investment Fund Management Co., Ltd. (hereinafter referred to as "Bohai Industry Fund") holds 431,738,551 unrestricted shares of the Company as of 31 December, 2020, accounting for approximately 9.30% of the Company's total share capital. The source of the shares is the stock converted from the Company's equity before the listing through the initial public offering, and the restriction on sales was lifted on 3 January, 2018. Bohai Industry Fund intends to reduce the number of shares of the Company that not more than 92,857,694 shares through a centralized bidding method from the date of disclosure of the reduction announcement, that is, within 6 months after 15 trading days from 6 January, 2021. The price of the reduction will be determined based on market prices. The company received the notice from Bohai Industry Fund on 26 July, 2021. Bohai company reduced 92,857,694 shares of the company through centralized bidding from 27 January, 2021 to 26 July, 2021, accounting for about 2% of the total shares of the company. When the time interval of this reduction plan expires, the reduction plan ends. As of 26 July, 2021, Bohai Industry Fund holds 296,530,857 tradable shares with no sale conditions, accounting for about 6.39% of the total shares of the company.

As of 30 July, 2021, Bohai Industrial Fund held 292,430,857 shares of the company's non-tradable shares, accounting for about 6.30% of the company's total share capital. Bohai Industrial Fund plans to reduce the number of shares of the company by centralized bidding within 6 months after 15 trading days from 30 July, 2021, the number of shares of the company reduced through centralized bidding shall not exceed 92,857,694, which is the date of disclosure of the reduction announcement, and the total number of shares reduced shall not exceed 1% of the total number of shares of the company within any continuous 90 days. The reduction price shall be determined according to the market price. As of the reporting date of this financial statement, the above-mentioned shareholding reduction has not yet been completed.

(3) Central China Blue Ocean Investment Management Co., Ltd. publicly listed and transferred equities of Henan Central China Micro-Lending Co., Ltd.

On 13 August, 2020, the 21st meeting of the sixth board of directors of the Company deliberated and approved the "Proposal on Transfer of Part of the Equity of Henan Central China Micro-lending Co., Ltd. held by Central China Blue Ocean Investment Management Co., Ltd.", agreed that Central China Blue Ocean Investment Management Co., Ltd. will transfer its 15% equity in Henan Central China Micro-lending Co., Ltd. by way of public listing, and authorized the management of the Company to handle various works in the process of transferring equity. On 22 January, 2021, Central China Blue Ocean Investment Management Co., Ltd. and Luohe Financial Holding Co., Ltd. signed the "State-owned Property Rights Transaction Contract.". On 28 July, 2021, Zhongyuan small loan held the second extraordinary shareholders' meeting in 2021 to consider and approve the above equity transfer and amendment of the articles of association. The above matters need to be approved by Henan local financial supervision and Administration Bureau.

2. Profit distribution

The 2020 annual profit distribution plan of the company was reviewed and approved by the 2020 annual general meeting of shareholders held on 30 June, 2021. Based on the total share capital of 4,642,884,700 shares of the company before the implementation of the scheme, the profit distribution distributed a cash dividend of RMB 0.017 per share (including tax) to all shareholders (including A-share shareholders and H-share shareholders), with a total cash dividend of RMB 78,929,039.90 (including tax). The equity registration date of A-share shareholders is 30 July, 2021, and the ex right (interest) date is 2 August, 2021; The equity registration date of H-share shareholders is 27 July, 2021. As of the approval date of this report, all cash dividends have been paid.

In the first half of 2021, the company plans to distribute profits based on the total share capital registered on the equity registration date. The company plans to distribute cash dividends of RMB 0.17 (including tax) to all shareholders for every 10 shares. Based on the total share capital of the company as of 30 June, 2021, a total of RMB 78,929,039.90 (including tax) will be distributed.

3. Other events after the balance sheet date

As at the date of approval of the financial statement the company has no other significant events after the balance sheet date that need to be disclosed but have not been disclosed.

XIII. Other significant events

1. Annuity plan

Central China Securities Co., Ltd. participate in the enterprise annuity plan established by the company according to the relevant policies of the national enterprise annuity system on the basis of participating in the basic social endowment insurance. The expenses required for the company's annuity shall be jointly paid by the enterprise and the employees. The total contribution of the company shall be 8% of the total salary of the employees in the previous year, and the individual contribution of the employees shall be 2% of the total salary of the employees in the previous year.

2. Segment information

(1) Determination basis and accounting policies of reporting segments

The company determines the operating segments based on the internal organizational structure, management requirements and internal reporting system. The operating segment of the company refers to the component that meets the following conditions at the same time:

a) This component can generate income and expenses in daily activities;

b) The management can regularly evaluate the operating results of this component to decide to allocate resources to it and evaluate its performance;

c) Be able to obtain the financial status, operating results, cash flow and other relevant accounting information of the component.

The company determines the reporting segment based on the operating segment, and the operating segment meeting one of the following conditions is determined as the reporting segment:

a) The segment income of the operating segment accounts for 10% or more of the total segment income;

b) The absolute amount of segment profit (loss) of the segment accounts for 10% or more of the greater of the total profit of all profitable segments or the absolute amount of the total loss of all deficit segments.

When the total amount of external transaction revenue of the operating segment of the reporting segment determined according to the above accounting policies does not account for 75% of the total consolidated revenue, increase the number of reporting segments, and include other operating segments not as reporting segments into the scope of reporting segments according to the following provisions until the proportion reaches 75%:

a) Determine the operating segment that the management believes the disclosure of the operating segment information is useful to the users of accounting information as the reporting segment;

b) The business segment is merged with one or more other business segments with similar economic characteristics and meeting the conditions for business segment merger as a reporting segment.

The transfer price between segments shall be determined with reference to the market price, and the assets and related expenses jointly used with each segment shall be distributed among different segments according to the proportion of income.

(2) The company determines the factors considered by the reporting segment and the types of products and services of the reporting segment

According to the different business types, the Company's reporting segments are mainly divided into: securities brokerage business segment, proprietary business segment, investment banking business segment, credit business segment, investment management business segment, futures business segment, overseas business segment, headquarters and other business segment.

(3) Segment financial information

Expressed in RMB'0000

Item	Closing balance / current amount									
	Securities brokerage business	Proprietary trading business	Investment banking business	Credit business	Investment management business	Futures business	Overseas business	Headquarters and others	Offset	Total
1.Operating income	34,684.27	23,314.18	26,132.03	22,558.18	12,878.22	107,434.82	-2,543.46	12,088.74	-2,942.87	233,604.11
Net fee and commission income	34,681.87		26,146.39	1,241.02	1,908.22	5,928.21	596.62	1,761.46	-118.93	72,144.86
Investment income (or less: losses)		40,957.88			-11,001.85	-1,652.23	-282.45	5,920.31	-2,790.08	31,151.58
Gains on changes in fair value (or less: losses)		-322.20			21,401.16	-1,151.99	-756.23	-2,787.77		16,382.97
Gains on foreign exchange (or less: losses)	-1.78						-17.66	-8.67		-28.11
Other operating income	162.33	646.02		217.09	1.40	104,628.09	8.20	267.20	-43.28	105,887.05
Net interest income	-158.15	-17,967.52	-14.36	21,100.07	569.29	-317.26	-2,091.94	6,936.21	9.42	8,065.76
2.Operating cost	28,893.27	6,161.80	20,742.65	6,513.77	11,428.50	107,367.37	2,203.95	19,792.34	-24.41	203,079.24
3. Operating profit	5,791.00	17,152.38	5,389.38	16,044.41	1,449.72	67.45	-4,747.41	-7,703.60	-2,918.46	30,524.87
4.Total Asset	974,197.15	2,255,404.47	2,545.66	986,330.79	451,272.39	207,080.50	221,448.56	997,174.14	-668,196.79	5,427,256.87
5.Total liabilities	1,066,051.33	1,373,803.76	18,585.52	111,665.49	111,685.97	165,473.41	133,971.83	1,108,484.01	-93,787.69	3,995,933.63
6.Supplementary information										
(1) Depreciation and amortization	2,574.06	699.67	600.86	9.42	200.87	232.01	28.11	2,537.60		6,882.60
(2) Capital expenditure	1,026.84	137.26	61.50	2.01	13.09	239.28	1.03	2,061.82		3,542.83

The accounting policies of each operating segment of the company are the same as those described in "Significant accounting policies and estimates".

3. Other significant transactions and events that have an impact on investors' decisions

(1) Public beneficial donations

Item	Jan-June 2021	Jan-June 2020
Charitable donations		4,000,000.00
Total		4,000,000.00

(2) Margin business

The Group's margin business scale is as follows, On 30 June, 2021 and 31 December, 2020:

Item	30 June 2021	31 December 2020
Margin accounts receivable	7,658,407,505.73	7,476,331,076.06
Short selling business	6,619,102.88	6,015,764.80
Total	7,665,026,608.61	7,482,346,840.86

(3) Securities lending

The specific types and fair values of bonds borrowed by the company on the inter-bank and exchange bond market trading platforms are as follows:

Item	Fair value on 30 June 2021	Fair value on 31 December 2020
National debt	181,055,404.50	977,436,370.00
Policy-based financial debt	425,513,780.00	892,869,520.00
Local government debt	660,731,690.00	461,811,840.00
Total	1,267,300,874.50	2,332,117,730.00

As of 30 June, 2021, among the bonds obtained by the Company through inter-bank and exchange market borrowing, the fair value of bonds that were pledged or transferred for the sale of repurchase business was RMB 1,005.7374 million.

(4) Security of customer funds

As of 30 June, 2021, the Company has deposited customer transaction settlement funds in commercial banks with depository qualifications, in compliance with the "Customer Transaction Settlement Fund Management Measures" (China Securities Regulatory Commission Order No. 3), and comply with relevant regulations such as the third-party depository of customer transaction settlement funds and the requirements for the security of customer transaction settlement funds. The Company strictly guarantees the safety of customer funds, the problem of misappropriation of client funds does not exist.

(5) Assets and liabilities measured at fair value

Item	31 December 2020	Gains and losses from changes in fair value for the current period	Cumulative changes in fair value included in equity	Impairment accrued in the current period	30 June 2021
1.Financial assets at fair value through profit or loss (without derivative financial asset)	22,592,572,498.77	141,831,784.09			23,517,387,318.61
2.Derivative financial asset		-6,465,466.94			
3.Financial assets measured at fair value through other comprehensive income	2,088,805,149.07		5,435,900.94	-608,801.55	1,828,566,172.53
4. Investment in other equity instruments					
Subtotal	24,681,377,647.84	135,366,317.15	5,435,900.94	-608,801.55	25,345,953,491.14
Investment properties					
Productive biological assets					
Others					
Total	24,681,377,647.84	135,366,317.15	5,435,900.94	-608,801.55	25,345,953,491.14
financial liabilities at fair value through profit or loss	1,356,226,583.04	3,951,206.65			1,061,718,305.89
Derivative financial liabilities	57,980.91	24,512,144.73			346,155.17
Total financial liabilities	1,356,284,563.95	28,463,351.38	-	-	1,062,064,461.06

Note: There is no inevitable cross-check relationship in this table.

(6) Basic classification table for the measurement of financial assets

	30 June 2021					
				The change of fair value through profit or loss		
Item	Financial assets measured at amortized cost	Financial assets at fair value through other comprehensive income	Designated as financial instruments at fair value through other comprehensive income	Classified as financial assets at fair value through profit or loss	According to the "Financial Instruments Recognition and Measurement" standards, designated as financial assets measured at fair value through profit or loss	According to the "Hedging Accounting" standards, designated as financial assets measured at fair value through profit or loss
Cash and bank balances	12,221,996,702.79					
Clearing settlement funds	2,516,954,852.02					
Margin accounts receivable	7,586,183,242.23					
Derivative financial assets						
Refundable deposits	876,032,065.73					
Accounts receivable	90,310,635.48					
Financial assets held under resale agreements	1,630,482,665.54					
Financial assets at fair value through profit or loss				23,517,387,318.61		
Financial assets measured at amortized cost	365,681,700.90					
Financial assets at fair value through other comprehensive income		1,828,566,172.53				
Other assets	1,168,204,682.40					
Total	26,455,846,547.09	1,828,566,172.53		23,517,387,318.61		

Continued:

1 Jan 2021						
Item	Financial assets measured at amortized cost	Financial assets at fair value through other comprehensive income	Designated as financial instruments at fair value through other comprehensive income	The change of fair value through profit or loss		
				Classified as financial assets at fair value through profit or loss	According to the "Financial Instruments Recognition and Measurement" standards, designated as financial assets measured at fair value through profit or loss	According to the "Hedging Accounting" standards, designated as financial assets measured at fair value through profit or loss
Cash and bank balances	10,951,131,021.90					
Clearing settlement funds	2,379,100,088.00					
Margin accounts receivable	7,400,757,113.38					
Derivative financial assets						
Refundable deposits	744,878,747.69					
Accounts receivable	169,323,523.34					
Financial assets held under resale agreements	2,055,964,889.83					
Financial assets at fair value through profit or loss				22,592,572,498.77		
Financial assets measured at amortized cost	456,168,931.89					
Financial assets at fair value through other comprehensive income		2,088,805,149.07				
Other assets	879,830,915.70					
Total	25,037,155,231.73	2,088,805,149.07		22,592,572,498.77		

(7) Basic classification table for the measurement of financial liabilities

30 June 2021		
Item		The change of fair value through profit or loss

30 June 2021				
	Financial assets measured at amortized cost	Classified as financial assets at fair value through profit or loss	According to the "Financial Instruments Recognition and Measurement" standards, designated as financial assets measured at fair value through profit or loss	According to the "Hedging Accounting" standards, designated as financial assets measured at fair value through profit or loss
Short-term loans	323,050,740.81			
Derivative financial liabilities		346,155.17		
Short-term financing instruments payable	7,862,024,825.54			
Due to banks and other financial institutions	2,504,430,138.93			
Financial liabilities at fair value through profit or loss		1,061,718,305.89		
Financial assets sold under repurchase agreements	11,656,081,798.82			
Accounts payable to brokerage clients	11,339,802,645.78			
Accounts payable	170,405,022.00			
Bonds payable	3,556,994,197.66			
Long-term borrowings	1,001,583.33			
Other liabilities	267,288,406.42			
Total	37,681,079,359.29	1,062,064,461.06		

Continued:

1 Jan 2021				
Item	Financial assets measured at amortized cost	The change of fair value through profit or loss		
		Classified as financial assets at fair value through profit or loss	According to the "Financial Instruments Recognition and Measurement" standards, designated as financial assets measured at fair value through profit or loss	According to the "Hedging Accounting" standards, designated as financial assets measured at fair value through profit or loss
Short-term loans	315,977,554.88			
Derivative financial liabilities		57,980.91		

	1 Jan 2021			
Short-term financing instruments payable	4,154,657,809.90			
Due to banks and other financial institutions	3,694,418,222.23			
Financial liabilities at fair value through profit or loss		1,356,226,583.04		
Financial assets sold under repurchase agreements	12,200,308,194.73			
Accounts payable to brokerage clients	10,555,230,551.25			
Accounts payable	65,874,572.60			
Bonds payable	4,610,250,342.02			
Long-term borrowings	1,001,741.67			
Other liabilities	29,432,162.81			
Total	35,627,151,152.09	1,356,284,563.95		

(8) Foreign currency financial assets and financial liabilities

Item	1 Jan 2021	Gains and losses from changes in fair value for the current period	Cumulative changes in fair value included in equity	Impairment accrued in the current period	30 June 2021
Financial assets					
financial assets at fair value through profit or loss	856,883,301.34	-7,562,323.62			884,792,263.32
Loan and account receivable	43,312,722.10				33,287,461.80
Financial assets measured at amortized cost	41,123,594.69				55,701,265.16
Margin accounts receivable	151,860,033.99			-3,814,484.01	128,630,588.73
Subtotal	1,093,179,652.12	-7,562,323.62	-	-3,814,484.01	1,102,411,579.01
Financial liabilities					
Short-term loans	315,977,554.88				313,049,296.37
Short-term financing instruments payable	728,717,847.98				721,603,062.40
Accounts payable to brokerage clients	121,428,565.93				180,117,367.62

Item	1 Jan 2021	Gains and losses from changes in fair value for the current period	Cumulative changes in fair value included in equity	Impairment accrued in the current period	30 June 2021
Accounts payable	408,853.42				1,222,467.32
Subtotal	1,045,104,256.28	-	--	-	1,035,874,826.09

XIV. Notes to main items in the financial statements of the parent company

1. Long-term equity investments

(1) Classification of long-term equity investments

Item	30 June 2021			31 December 2020		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment in subsidiaries	5,089,728,953.95		5,089,728,953.95	4,126,432,553.95		4,126,432,553.95
Total	5,089,728,953.95		5,089,728,953.95	4,126,432,553.95		4,126,432,553.95

(2) Investment in subsidiaries

Investee	31 December 2020	Increase	Decrease	30 June 2021	Provision for impairment in the current period	Balance of impairment provision
Central China Futures Co., Ltd.	188,061,592.08			188,061,592.08		
Zhongding Kaiyuan Venture Capital Management Co., Ltd.	700,530,961.87			700,530,961.87		
Central China International Financial Holdings Co., Ltd.	859,340,000.00	663,296,400.00		1,522,636,400.00		
Central China Blue Ocean Investment Management Co., Ltd.	2,256,000,000.00	300,000,000.00		2,556,000,000.00		
Central China Equity Exchange Co., Ltd.	122,500,000.00			122,500,000.00		
Total	4,126,432,553.95	963,296,400.00	-	5,089,728,953.95		

2. Net interest income

Item	Jan-June 2021	Jan-June 2020
Interest income	466,354,189.22	377,725,652.14
Including: interest income from cash and bank balances and clearing settlement funds	106,988,607.99	106,694,777.47
Interest income from margin accounts receivable	258,278,421.53	206,411,123.64
Interest income from financial assets held under resale agreements	48,580,032.16	41,391,582.97

Item	Jan-June 2021	Jan-June 2020
Including: interest income from agreed repurchase	534,054.56	460,170.80
Interest income from stock pledge repurchase	40,650,743.65	25,315,107.64
Interest income from financial assets at fair value through other comprehensive income	42,242,124.95	13,883,435.33
Others	10,265,002.59	9,344,732.73
Interest expense	404,261,835.08	388,020,182.06
Including: interest expense of short-term financing instruments payable	52,159,337.01	7,159,720.65
Interest expense of due to banks and other financial institutions	39,313,222.45	32,301,755.54
Including: refinancing interest expense	24,279,722.23	8,073,611.12
Interest expense on financial assets sold under repurchase agreements	146,061,370.66	121,830,581.11
Interest expense of accounts payable to brokerage clients	18,470,764.86	17,495,512.27
Interest expense of bonds payable	138,754,633.04	199,728,325.67
Including: interest expense of subordinated bonds	81,414,124.35	143,890,408.83
Interest expense of bond lending	6,398,188.52	5,526,740.64
Others	3,104,318.54	3,977,546.18
Net interest income	62,092,354.14	-10,294,529.92

3. Net fee and commission income

(1) Details

Item	Jan-June 2021	Jan-June 2020
Securities brokerage services net income	327,841,755.59	309,079,196.29
——Securities brokerage services income	421,054,122.37	398,935,534.41
——Funds received as agent of stock exchange	382,702,574.04	379,969,151.93
Leasing of trading unit seats	98,726.15	430,607.33
Sales agent of financial products	37,800,922.11	18,074,613.26
——Securities brokerage services expense	93,212,366.78	89,856,338.12
——Funds received as agent of stock exchange	93,186,440.61	89,770,913.46
Sales agent of financial products	19,520.57	3,778.46
Investment bank business net income	263,310,408.94	94,884,683.65
——Investment bank business income	265,940,107.01	104,097,891.18
——Securities underwriting business	256,088,834.87	80,381,886.80
Sponsor business of securities	1,415,094.34	5,660,377.35
Financial advisory business	8,436,177.80	18,055,627.03
——Investment bank business expenses	2,629,698.07	9,213,207.53
——Securities underwriting business	1,049,132.07	7,873,584.91
Sponsor business of securities		400,000.00

Item	Jan-June 2021	Jan-June 2020
Financial advisory business	1,580,566.00	939,622.62
Asset management business net income	13,333,462.06	18,229,098.75
——Asset management business income	13,381,679.13	18,233,873.32
——Asset management business expense	48,217.07	4,774.57
Investment consulting business net income	28,224,175.69	38,925,687.55
——Investment consulting business income	28,224,175.69	38,925,687.55
——Investment consulting business expense		
Other fee and commission net income	16,794,485.21	5,623,302.14
——Other fee and commission income	16,794,485.21	5,623,302.14
——Other fee and commission expense		
Total	649,504,287.49	466,741,968.38
Including: total fee and commission income	745,394,569.41	565,816,288.60
Total fees and commission expense	95,890,281.92	99,074,320.22

4. Investment income

(1) Classification details

Item	Jan-June 2021	Jan-June 2020
Long-term equity investments income calculated by cost method	15,693,080.20	77,307,500.00
Financial instruments investment income	408,789,329.59	300,641,403.51
Including: Income generated during holding period	361,480,743.03	342,573,244.56
Including: Financial assets at fair value through profit or loss	373,466,483.49	353,971,979.55
Financial liabilities at fair value through profit or loss	-11,985,740.46	-11,398,734.99
Disposal income of financial instruments	47,308,586.56	-41,931,841.05
Including: Financial assets at fair value through profit or loss	70,643,592.56	67,786,817.66
Financial assets at fair value through other comprehensive income	3,949,840.43	12,268,792.46
Derivative financial instruments	-18,341,962.76	-122,440,724.52
Financial liabilities at fair value through profit or loss	-8,942,883.67	453,273.35
Total	424,482,409.79	377,948,903.51

(2) Detailed statement of investment income of trading financial instruments

Trading financial instruments		Jan-June 2021
Financial assets classified as financial assets measured at fair value through profit or loss	Income during holding period	373,466,483.49
	Income from disposal	70,643,592.56
Financial assets designated to be measured at fair value through profit or loss	Income during holding period	

Trading financial instruments		Jan-June 2021
	Income from disposal	
Financial liabilities classified as measured at fair value through profit or loss	Income during holding period	-11,985,740.46
	Income from disposal	-8,942,883.67
Financial liabilities designated to be measured at fair value through profit or loss	Income during holding period	

5. Business and administrative expenses

Item	Jan-June 2021	Jan-June 2020
Employee benefits	595,772,550.55	411,788,468.73
Depreciation of right-of-use assets	27,148,989.86	28,399,618.73
Amortization of intangible assets	16,852,552.85	13,478,104.23
Electronic equipment operating fees	15,811,257.35	8,738,364.16
Depreciation of fixed assets	13,125,877.67	15,874,498.04
Communication fees	9,387,079.72	9,419,923.18
Member fees	7,497,302.13	7,104,979.82
Consulting fees	6,738,940.68	7,322,439.37
Amortization of long-term deferred expenses	5,787,365.79	6,167,781.43
Securities investors protection funds	5,584,563.23	4,823,658.82
Business entertainment expenses	5,222,955.03	2,122,883.97
Traveling expenses	5,160,149.04	2,597,443.20
Property management fee	4,274,788.53	2,956,783.49
Advertising expenses	3,614,534.95	2,381,334.93
Rental fee	2,825,931.40	2,503,820.06
Water and electricity	2,327,433.30	3,285,375.44
Audit fee	2,152,264.15	3,846,886.79
Legal and professional fees	2,023,565.97	163,676.00
Others	10,396,261.10	9,686,470.41
Total	741,704,363.30	542,662,510.80

6. Supplementary information of cash flow statement of parent company

Item	Jan-June 2021	Jan-June 2020
1.Adjusting net profit to cash flow from operating activities:		
Net profit	259,955,011.71	113,668,103.48
Plus: expected credit losses	51,812,132.15	126,375,297.82
Accumulated depreciation of investment properties and fixed assets	13,681,754.03	16,432,973.25
Depreciation of right of use assets	27,148,989.86	28,399,618.73
Amortization of intangible assets	16,852,552.85	13,478,104.23

Item	Jan-June 2021	Jan-June 2020
Amortization of long-term deferred expenses	5,787,365.79	6,167,781.43
Loss on disposal of fixed assets, intangible assets and other long-term assets (income is represented with "-")	291,618.88	12,816.35
Profit or loss from changes in fair value (income expressed with "-")	31,922,415.88	55,982,487.02
Interest expense	194,018,127.60	210,536,393.41
Exchange losses (gains expressed with "-")	104,484.05	-142,304.99
Investment loss (income expressed with "-")	-61,885,045.58	-103,459,727.79
Decrease of deferred income tax assets (increase expressed with "-")	-81,333,160.11	-80,728,531.85
Increase in deferred income tax liabilities (decrease expressed with "-")	6,452,534.05	-1,152,883.19
Decrease in operating receivables (increase expressed with "-")	-1,458,549,106.96	3,002,839,602.96
Increase in operating payables (decrease expressed with "-")	101,831,884.03	-89,673,371.55
Net cash flow from operating activities	-891,908,441.77	3,298,736,359.31
2.Major investment and financing activities not involving cash receipts and payments:		
Debt to capital		
Convertible corporate bonds due within one year		
Fixed assets under finance lease		
3.Net changes in cash and cash equivalents:		
Closing balance of cash	12,388,343,813.30	12,999,482,546.55
Less: opening balance of cash	11,500,913,337.34	9,849,533,204.97
Add: closing balance of cash equivalents		
Less: opening balance of cash equivalents		
Net increase in cash and cash equivalents	887,430,475.96	3,149,949,341.58

XV. Supplementary information

1. Detailed statement of current non-recurring profit and loss

Item	Amount	Description
Gains and losses on disposal of non-current assets	-255,393.13	
Government subsidies included in current profits or losses (closely related to enterprise business, except government subsidies enjoyed in accordance with national unified standard quota or quantitative)	10,723,104.87	
Other non-operating income and expenses other than the above items	109,565.39	
Other profit and loss items conforming to the definition of non-recurring profit and loss		
Less: income tax impact	2,644,319.28	
Influence amount of minority shareholders' equity (after tax)	102,973.02	
Total	7,829,984.83	

2. Return on net assets and earnings per share

Profit for the reporting period	Weighted Average Return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to common shareholders of the company	1.70	0.05	0.05
Net profit attributable to common shareholders of the company after deducting non-recurring profits or losses	1.64	0.05	0.05

3. Differences in accounting data under domestic and foreign accounting standards

(1) Differences in net profit and net assets in financial reports disclosed in accordance with International Accounting Standards and Chinese Accounting Standards

Expressed in RMB'0000

Region	Net profit		Net assets	
	Current amount	Prior period amount	Closing amount	Opening amount
According to Chinese accounting standards	23,243.80	3,368.36	1,431,323.24	1,418,647.61
According to international accounting standards	23,243.80	3,368.36	1,431,323.24	1,418,647.61
Difference	-	-	-	-

Central China Securities Co., Ltd.

27 August, 2021

统一社会信用代码

91110108590676050Q

营业执照

(副　本)(7-1)

扫描二维码登录"国家企业信用信息公示系统"了解更多登记、备案、许可、监管信息

名　　称　大华会计师事务所（特殊普通合伙）

类　　型　特殊普通合伙企业

执行事务合伙人　梁春，杨雄

经营范围　审查企业会计报表，出具审计报告；验证企业资本，出具验资报告；办理企业合并、分立、清算事宜中的审计业务，出具有关报告；基本建设年度财务决算审计；代理记帐；会计咨询、税务咨询、管理咨询、会计培训；法律、法规规定的其他业务；无（市场主体依法自主选择经营项目，开展经营活动；依法须经批准的项目，经相关部门批准后依批准的内容开展经营活动；不得从事国家和本市产业政策禁止和限制类项目的经营活动。）

成立日期　2012年02月09日

合伙期限　2012年02月09日至　长期

主要经营场所　北京市海淀区西四环中路16号院7号楼1101

此件仅用于业务报告专用，复印无效。

登记机关

北京市海淀区市场监督管理局

2021年02月04日

国家企业信用信息公示系统网址：http://www.gsxt.gov.cn

市场主体应当于每年1月1日至6月30日通过国家企业信用信息公示系统报送公示年度报告。

国家市场监督管理总局监制

证书序号: 0000093

会计师事务所
执业证书

名　　称：大华会计师事务所（特殊普通合伙）

首席合伙人：梁春

主任会计师：

经营场所：北京市海淀区西四环中路16号院7号楼12层

组织形式：特殊普通合伙

执业证书编号：11010148

批准执业文号：京财会许可[2011]0101号

批准执业日期：2011年11月03日

此件仅用于业务报告专用，复印无效。

说　明

1、《会计师事务所执业证书》是证明持有人经财政部门依法审批，准予执行注册会计师法定业务的凭证。

2、《会计师事务所执业证书》记载事项发生变动的，应当向财政部门申请换发。

3、《会计师事务所执业证书》不得伪造、涂改、出租、出借、转让。

4、会计师事务所终止或执业许可注销的，应当向财政部门交回《会计师事务所执业证书》。

发证机关：北京市财政局

二〇一七年十一月七日

中华人民共和国财政部制

THE CHINESE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

中国注册会计师协会

姓 名 Full name	敖都吉雅
性 别 Sex	女
出 生 日 期 Date of birth	1977-09-18
工 作 单 位 Working unit	大华会计师事务所（特殊普通合伙）内蒙古分所
身份证号码 Identity card No.	150102197709182044

大华会计师事务所(特殊普通合伙)

1100000083563

证书编号：
No. of Certificate 110001610117

批准注册协会：
Authorized Institute of CPAs 内蒙古注册会计师协会

发证日期：
Date of Issuance 2007 年 /y 12 月 /m 25 日 /d

4

年度检验登记
Annual Renewal Registration

本证书经检验合格，继续有效一年。
This certificate is valid for another year after this renewal.

5

THE CHINESE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
中国注册会计师协会

姓名 Full name: 李甜甜
性别 Sex: 女
出生日期 Date of birth: 1990-10-30
工作单位 Working unit: 大华会计师事务所（特殊普通合伙）
身份证号码 Identity card No.: 371425199010302067

BICPA

CPA任职资格检查合格 2016
CPA任职资格检查合格 2017

This certificate is valid for another year after this renewal.

2016 -03- 21

2017-3-31

姓名：李甜甜
证书编号：110101480188
2018 -05- 11

年 /y 月 /m 日 /d

证书编号 No. of Certificate: 110101480188
批准注册协会 Authorized Institute of CPAs: 北京注册会计师协会
发证日期 Date of Issuance: 2015 年/y 11 月/m 17 日/d

大华会计师事务所（特殊普通合伙）
1100000083553

Auditor's Report

信永中和 ShineWing

信永中和会计师事务所

ShineWing
certified public accountants

北京市东城区朝阳门北大街
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XYZH/2021BJAB10261

To the Shareholders of Central China Securities Co., Ltd.

1 Opinion

We have audited the financial statements of Central China Securities Co., Ltd. (the "Company"), and its subsidiaries (the "Group"), which comprise the consolidated and the Company's balance sheet as at 31 December 2020, the consolidated and the Company's income statement, the consolidated and the Company's cash flow statement and the consolidated and the Company's statement of changes in shareholders' equity for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and the Company's financial position as at 31 December 2020, the consolidated and the Company's results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

2 Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing for Chinese Certified Public Accountants. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Group in accordance with the Code of Ethics for Chinese Certified Public Accountants, and we have fulfilled our other ethical responsibilities of the code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit.

3 Key Audit Matters

Key audit matters are the items that, in our professional judgment, are the most significance in our audit of the current financial statements. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our audit opinion thereon, and we do not express a separate opinion on these matters. The key audit matters identified in our audit are as follows:

1. Consolidation of structured entities

Key Audit Matter	How our audit addressed the Key Audit Matter
The Group acted as an asset manager or equity for, or invested in, a number of asset management schemes, structured entities such as limited partnership. Those structured entities over which The management of the Group (hereinafter referred to as the "Management") has concluded the Group had control have been consolidated and their aggregated total book value of assets were RMB1.209 billion as at 31 December 2020. The management comprehensively evaluates the interests held by Company and the remuneration as the structured subject manager According to the interests held by company and the manager's remuneration impacting on variable returns, the management of the Group decide the consolidation scope. The determination of the consolidation scope of structured entities as a key audit area is mainly due to the significant judgments made by the management of the company in evaluating and determining whether the company as an investor controls the structured entities. Refer to Note VIII (I) consolidated financial statements.	Our procedures in relation to the determination of consolidated structured entities included: • By inquiring the management and checking the documents related to the judgment process made by the management on whether the structured entities are merged, we can evaluate whether the procedures established by the Company are complete; • We selected contracts of asset management plans and the limited partnerships to understand the purpose of the establishment of the structured subjects and the Company participation and impact on the governance of structured subject and to evaluate the rights and obligations of Group manager in the decision-making of structured entities; • Checking the structural design of risk and reward by the structured subject. We evaluate the judgment made by the management on the risk exposure and variable return of the structured entity due to its the calculation results of the proportion and variability of the economic benefits of the structured subject, we analyse the rationality of the judgment made by the management; • We examined the adequacy of disclosures being made in the consolidated financial statements and assessed whether it meets the requirement under Accounting Standards for Enterprises.

2. Impairment allowance of margin accounts receivable, financial assets held under resale agreements, financial assets measured at amortised costs, and financial assets at fair value through other comprehensive income

Key Audit Matter	How our audit addressed the Key Audit Matter
As of 31 December 2020, the Group recognized the following financial assets in its consolidated statement of financial position: Margin accounts receivable (book value was RMB 7.40 billion), Financial assets held under resale agreements(book value was RMB 2.06 billion), financial assets measured at amortised costs (book value was RMB 456.00 million), Financial assets at fair value through other comprehensive income(book value is RMB 2.09 billion). The total balance of the recognized impairment provision was RMB571.00 million. Management applied the Expected Loss Model to measure the expected credit losses ("ECL"). For the above-mentioned financial assets in Stages 1 and 2, Management used a measurement model that includes key parameters such as the probability of default, the rate of default loss, and the exposure to default risk to assess the impairment allowance. For credit-impaired financial assets classified under Stage 3, Management assessed the credit loss allowances by estimating the cash flows expected to arise from the financial assets after taking into consideration of forward looking factors. For these financial assets that have suffered credit impairment in stage 3, Management measures the impairment provision by estimating the future cash flows of the financial assets. For each type of product and investment, the measurement model for ECL involves significant management judgements and assumptions, primarily including the following: Determination of the criteria for significant increase in credit risk ("SICR"), definitions of defaults and credit impairment; Selection of the appropriate models and assumptions for measuring expected credit losses; Establishment of the number and relative weightings of forward-looking scenarios. Because the Group developed a number of complex models, adopted numerous parameters and data inputs, and applied significant management judgements and assumptions in measuring the ECL; and furthermore, the amounts involved were significant to the Group's financial statements, this matter was identified as a key audit matter. Please refer to Notes VI. 3、7、9、and 10 to the consolidated financial statements for details.	Our main audit procedures for management impairment assessment are as follows: • Realize the internal control related to the provision for expected credit impairment, and test the implementation effectiveness of the relevant internal control; • Select samples to perform review procedures, check the overdue information of relevant financial assets, the value of mortgaged assets, the credit status of f inanciers or issuers, and negative information, etc., and evaluate the rationality of the judgment made by Management whether the above financial asset credit risk has increased significantly since the initial confirmation and whether the credit impairment has occurred; • Check the reliability of the expected credit loss model and parameters used by the management in assessing the impairment provision, including the probability of default, the loss rate of default, the risk exposure of default and prospective adjustments, etc, and evaluate their consistency, accuracy and completeness; • Based on selecting samples, we evaluate the rationality of the default loss rate of financial assets that have suffered credit impairment; Check the financial information of the debtor and the guarantor, the collateral or the market value of the sealed asset, etc., and consider the recoverable amount of the financial asset. • Evaluate whether the disclosure of financial statements related to the impairment of financial assets meets the disclosure requirements of Accounting Standards for Enterprises.

4 Other Information

Management is responsible for the other information. The other information comprises the information included in the Group’s 2020 annual report, but does not include the financial statements and our auditor’s report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information; we are required to report that fact. We have nothing to report in this regard.

5 Responsibilities of the Management and Those Charged with Governance for the Financial Statements

The Management is responsible for the preparation of the financial statements in accordance with Accounting Standards for Business Enterprises to achieve fair presentation; and designing, implementing and maintaining internal control which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

6 Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are generally considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

During the course of audit in accordance with auditing standards, we exercise professional judgment and maintain professional skepticism. We also carry out the following works:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management;

- Conclude on the appropriateness of the Management s' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements in accordance with the auditing standards or, if such disclosures are inadequate, we shall modify our opinion.. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, etc, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with those relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and related safeguards, where applicable.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation prohibited public disclosure about the matter or when, in rare circumstances, we determine that a matter should not be communicated in our report if the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Yours faithfully,

ShineWing Certified Public Accountants LLP
Beijing, China

30 March 2021

CONSOLIDATED BALANCE SHEET

As at 31 December 2020 CENTRAL CHINA SECURITIES CO., LTD. (Expressed in RMB Yuan)

	Note VI No.	31 December 2020	31 December 2019
Assets:			
Cash and bank balances	1	10,951,131,021.90	9,331,748,561.52
Including: Cash held for brokerage clients		8,193,682,554.76	6,581,561,810.40
Clearing settlement funds	2	2,379,100,088.00	2,518,049,515.84
Including: Clearing settlement funds held for brokerage clients		2,287,871,177.95	2,347,142,384.82
Margin accounts receivable	3	7,400,757,113.38	6,060,740,196.56
Derivative financial assets	4		11,384,115.93
Refundable deposits	5	744,878,747.69	395,169,735.95
Accounts receivable	6	169,323,523.34	153,912,302.37
Financial assets held under resale agreement	7	2,055,964,889.83	3,023,888,527.71
Financial Investment：			
Financial assets at fair value through profit or loss	8	22,592,572,498.77	17,227,018,646.76
Financial assets measured at amortised cost	9	456,168,931.89	676,389,859.29
Financial assets at fair value through other comprehensive income	10	2,088,805,149.07	664,695,346.48
Long-term equity investments	11	1,067,276,173.44	1,104,721,398.67
Investment properties	12	16,474,089.01	17,289,669.93
Fixed assets	13	179,004,039.77	193,032,226.69
Construction in progress	14	52,427,024.00	35,578,119.28
Right-of-use assets	15	163,033,163.26	184,977,696.07
Intangible assets	16	188,018,189.26	157,209,959.46
Deferred income tax assets	17	464,734,648.09	345,625,693.11
Goodwill	18	19,882,791.61	22,371,814.46
Other assets	19	1,387,323,474.69	1,446,099,029.69
Total Asset		52,376,875,557.00	43,569,902,415.77

CONSOLIDATED BALANCE SHEET

As at 31 December 2020 CENTRAL CHINA SECURITIES CO., LTD. (Expressed in RMB Yuan)

	Note VI No.	31 December 2020	31 December 2019
Liabilities:			
Short-term loans	22	315,977,554.88	1,568,747,897.84
Short-term financing instruments payable	23	4,154,657,809.90	4,455,447,124.75
Due to banks and other financial institutions	24	3,694,418,222.23	2,361,159,583.32
Financial liabilities at fair value through profit or loss	25	1,356,226,583.04	1,114,552,379.16
Derivative financial liabilities	4	57,980.91	83,740.00
Financial assets sold under repurchase agreements	26	12,200,308,194.73	8,721,088,626.07
Accounts payable to brokerage clients	27	10,555,230,551.25	8,895,066,941.34
Employee benefits payable	28	561,932,538.17	478,666,321.83
Taxes payable	29	131,604,084.55	56,986,010.70
Accounts payable	30	65,874,572.60	183,081,131.54
Contract liabilities	31	26,495,681.41	20,444,852.57
Long-term borrowings	32	1,001,741.67	13,202,955.17
Bonds payable	33	4,610,250,342.02	4,623,940,375.96
Lease liabilities	34	157,698,672.45	177,837,189.74
Deferred income tax liabilities	17	14,241,536.99	8,258,284.47
Other liabilities	35	344,423,399.69	393,552,547.54
Total liabilities		38,190,399,466.49	33,072,115,962.00
Equity:			
Share capital	36	4,642,884,700.00	3,869,070,700.00
Capital reserve	37	6,330,622,817.68	3,487,237,785.96
Other comprehensive income	38	12,549,125.88	36,543,591.23
Surplus reserve	39	838,358,247.79	808,084,287.96
General risk reserve	40	1,441,518,813.40	1,382,038,921.28
Retained earnings	41	102,780,913.15	88,232,726.32
Total equity attributable to owners of the parent company		13,368,714,617.90	9,671,208,012.75
Non-controlling interests		817,761,472.61	826,578,441.02
Total equity		14,186,476,090.51	10,497,786,453.77
Total liabilities and equity		52,376,875,557.00	43,569,902,415.77

PARENT COMPANY'S BALANCE SHEET

As at 31 December 2020 CENTRAL CHINA SECURITIES CO., LTD. (Expressed in RMB Yuan)

	Note XVII No.	**31 December 2020**	31 December 2019
Assets:			
Cash and bank balances		**9,353,694,098.48**	7,451,403,960.97
Including: Cash held for brokerage clients		**7,812,001,585.50**	6,147,210,572.10
Clearing settlement funds		**2,165,049,237.07**	2,401,197,144.82
Including: Clearing settlement funds held for brokerage clients		**2,005,804,519.95**	2,070,615,268.02
Margin accounts receivable		**7,248,897,079.39**	5,863,995,732.86
Refundable deposits		**368,868,430.71**	61,804,121.87
Accounts receivable		**85,450,845.08**	106,952,495.81
Financial assets held under resale agreement		**2,055,165,080.52**	3,016,788,527.71
Financial Investment：			
Financial assets at fair value through profit or loss		**19,933,278,797.76**	14,901,923,154.00
Financial assets at fair value through other comprehensive income		**2,088,805,149.07**	664,695,346.48
Long-term equity investments	*1*	**4,126,432,553.95**	4,126,432,553.95
Investment properties		**25,858,938.87**	26,976,776.32
Fixed assets		**164,207,159.80**	177,043,901.96
Construction in progress		**52,427,024.00**	35,578,119.28
Right-of-use assets		**133,127,127.62**	143,733,697.34
Intangible assets		**181,335,531.53**	152,488,987.20
Deferred income tax assets		**301,081,560.09**	210,510,337.00
Other assets		**523,400,315.46**	476,558,424.45
Total Asset		**48,807,078,929.40**	39,818,083,282.02

PARENT COMPANY'S BALANCE SHEET

As at 31 December 2020 CENTRAL CHINA SECURITIES CO., LTD. (Expressed in RMB Yuan)

	Note XVII No.	**31 December 2020**	31 December 2019
Liabilities:			
Short-term financing instruments payable		**3,425,939,961.92**	4,455,447,124.75
Due to banks and other financial institutions		**3,694,418,222.23**	2,361,159,583.32
Financial liabilities at fair value through profit or loss		**778,986,314.11**	714,792,262.30
Derivative financial liabilities		**57,980.91**	
Financial assets sold under repurchase agreements		**12,002,208,194.73**	8,721,088,626.07
Accounts payable to brokerage clients		**9,666,752,032.28**	8,157,600,131.41
Employee benefits payable		**517,314,154.75**	430,174,300.20
Taxes payable		**118,777,886.11**	42,920,834.05
Accounts payable		**60,063,783.40**	175,101,509.70
Contract liabilities		**10,997,000.07**	7,911,220.55
Bonds payable		**4,610,250,342.02**	4,623,940,375.96
Lease liabilities		**129,412,235.14**	136,901,569.49
Deferred income tax liabilities			3,207,641.13
Other liabilities		**47,982,898.50**	56,052,632.96
Total liabilities		**35,063,161,006.17**	29,886,297,811.89
Equity:			
Share capital		**4,642,884,700.00**	3,869,070,700.00
Capital reserve		**6,606,160,370.84**	3,762,844,544.48
Other comprehensive income		**-1,388,009.67**	5,435,762.48
Surplus reserve		**838,358,247.79**	808,084,287.96
General risk reserve		**1,371,112,556.76**	1,315,470,752.11
Retained earnings		**286,790,057.51**	170,879,423.10
Total equity		**13,743,917,923.23**	9,931,785,470.13
Total liabilities and equity		**48,807,078,929.40**	39,818,083,282.02

CONSOLIDATED INCOME STATEMENT

For the period ended 31 December 2020 CENTRAL CHINA SECURITIES CO., LTD. (Expressed in RMB Yuan)

Item		Note VI No.	For the year ended 31 December, 2020	For the year ended 31 December, 2019
I.	**Total operating income**		3,103,301,696.87	2,372,526,991.25
	Net interest income	42	101,097,703.29	28,497,623.04
	Net fee and commission income	43	1,172,198,286.83	961,128,437.61
	Including: brokerages business		790,645,044.22	517,788,467.73
	Investment banking		206,756,722.44	246,803,568.01
	Assets management		47,316,049.98	65,064,514.83
	Investment income (or less: losses)	44	606,652,804.47	929,911,611.48
	Including: Investment income from associates and joint ventures		53,783,145.31	41,652,088.18
	Gains on changes in fair value(or less: losses)	45	-48,524,176.45	-165,217,911.98
	Gains on foreign exchange (or less: losses)		-3,348,221.20	-2,411,060.48
	Other operating income	46	1,264,503,482.85	588,755,236.72
	Gains from assets disposal (or less: losses)	47	-20,777.16	22,972,242.66
	Other income	48	10,742,594.24	8,890,812.20
II.	**Total operating cost**		2,954,485,813.12	2,258,791,739.77
	Taxes and surcharges	49	19,375,311.17	14,420,697.18
	Business and administrative expenses	50	1,334,084,832.77	1,303,740,016.63
	Expected credit losses	51	344,960,999.30	349,698,115.43
	Other assets impairment losses	52	31,841,326.55	9,760,642.03
	Other operating costs	53	1,224,223,343.33	581,172,268.50
III.	**Operating profit (or less: losses)**		148,815,883.75	113,735,251.48
	Add: non-operating income	54	5,860,453.04	9,408,024.38
	Less: non-operating expenditures	55	10,645,944.64	7,025,663.04
IV.	**Profit before tax (or less: losses)**		144,030,392.15	116,117,612.82
	Less: income tax expenses	56	41,911,301.78	41,034,744.40
V.	**Net profit (or less: net loss)**		102,119,090.37	75,082,868.42
	(I) Classified by continuity of operations			
	1. Net profit from continuing operations (or less: net losses)		102,119,090.37	75,082,868.42
	2. Net profit from discontinued operations (or less: net losses)			
	(II) Classified by ownership			
	1. Net profit attributable to owners of parent company (or less: net losses)		104,302,038.78	58,222,745.44
	2. Net Profit attributable to non-controlling interests (or less: net losses)		-2,182,948.41	16,860,122.98

CONSOLIDATED INCOME STATEMENT

For the period ended 31 December 2020 CENTRAL CHINA SECURITIES CO., LTD. (Expressed in RMB Yuan)

Item	Note VI No.	For the year ended 31 December, 2020	For the year ended 31 December, 2019
VI. Other comprehensive income after tax		-23,994,465.35	12,417,598.13
Items attributable to shareholders of parent company		-23,994,465.35	8,336,699.89
(I) Not to be reclassified subsequently to profit or loss			
(II) To be reclassified subsequently to profit or loss		-23,994,465.35	8,336,699.89
1. Items attributable to investees under equity method that will be reclassified to profit or loss		181,829.12	2,251,346.29
2. Changes in fair value on investments in debt instruments measured at fair value through other comprehensive income		-59,904,500.70	2,249,077.30
3. Allowance for credit losses on investments in debt instruments measured at fair value through other comprehensive income		53,080,728.55	-45,081.55
4. Difference from translation of foreign currency financial statements		-17,352,522.32	3,881,357.85
Items attributable to non-controlling interests			4,080,898.24
VII. Total comprehensive income		78,124,625.02	87,500,466.55
Items attributable to shareholders of parent company		80,307,573.43	66,559,445.33
Items attributable to non-controlling interests		-2,182,948.41	20,941,021.22
VIII. Earnings per share (EPS):			
(I) Basic EPS	57	0.02	0.02
(II) Diluted EPS	57	0.02	0.02

PARENT COMPANY'S INCOME STATEMENT

For the period ended 31 December 2020 CENTRAL CHINA SECURITIES CO., LTD. (Expressed in RMB Yuan)

Item		Note XVII No.	For the year ended 31 December, 2020	For the year ended 31 December, 2019
I.	**Total operating income**		**1,653,607,413.99**	1,685,978,616.31
	Net interest income	2	**46,243,250.79**	-59,046,347.59
	Net fee and commission income	3	**1,038,150,743.24**	815,940,086.36
	Including: brokerages business		**686,071,935.92**	469,501,628.70
	Investment banking		**200,925,249.51**	228,560,194.77
	Assets management		**39,325,418.37**	45,206,688.55
	Investment income (or less: losses)	4	**631,253,436.58**	777,548,614.50
	Including: Investment income from associates and joint ventures			-773,551.12
	Gains on changes in fair value(or less: losses)		**-88,807,494.18**	112,081,401.33
	Gains on foreign exchange (or less: losses)		**-646,160.05**	30,847.35
	Other operating income		**18,079,232.10**	8,043,332.18
	Gains from assets disposal (or less: losses)		**-20,667.36**	22,973,320.57
	Other income		**9,355,072.87**	8,407,361.61
II.	**Total operating cost**		**1,430,720,797.48**	1,296,983,395.07
	Taxes and surcharges		**16,838,369.81**	12,438,481.72
	Business and administrative expenses	5	**1,149,447,203.93**	1,096,904,801.68
	Expected credit losses		**263,120,359.08**	186,153,701.24
	Other operating costs		**1,314,864.66**	1,486,410.43
III.	**Operating profit (or less: losses)**		**222,886,616.51**	388,995,221.24
	Add: non-operating income		**2,410,755.63**	8,155,586.34
	Less: non-operating expenditures		**7,004,959.37**	6,778,135.54
IV.	**Profit before tax (or less: losses)**		**218,292,412.77**	390,372,672.04
	Less: income tax expenses		**16,466,013.88**	69,227,081.17
V.	**Net profit (or less: net loss)**		**201,826,398.89**	321,145,590.87
	(I) Classified by continuity of operations			
	1. Net profit from continuing operations (or less: net losses)		**201,826,398.89**	321,145,590.87
	2. Net profit from discontinued operations (or less: net losses)			
VI.	**Other comprehensive income after tax**		**-6,823,772.15**	2,261,459.72
	(I) Not to be reclassified subsequently to profit or loss			
	(II) To be reclassified subsequently to profit or loss		**-6,823,772.15**	2,261,459.72
	1. Changes in fair value on investments in debt instruments measured at fair value through other comprehensive income		**-59,904,500.70**	2,249,077.29
	2. Allowance for credit losses on investments in debt instruments measured at fair value through other comprehensive income		**53,080,728.55**	12,382.43
VII.	**Total comprehensive income**		**195,002,626.74**	323,407,050.59

CONSOLIDATED CASH FLOW STATEMENT

For the period ended 31 December 2020 CENTRAL CHINA SECURITIES CO., LTD. (Expressed in RMB Yuan)

Item		Note VI No.	For the year ended 31 December, 2020	For the year ended 31 December, 2019
I.	**Cash flows from operating activities:**			
	Cash receipt from interests, fee and commissions		2,702,035,174.80	1,916,877,772.13
	Net increase of due to banks and other financial institutions		1,330,000,000.00	120,000,000.00
	Net increase of repurchase business		3,480,155,509.95	
	Net decrease of resale business		700,025,363.10	5,680,048,334.81
	Cash received from brokerage clients		1,660,163,609.91	2,334,006,955.20
	Other cash receipts related to operating activities	58	1,506,857,134.57	775,420,722.91
	Subtotal of cash inflows from operating activities		11,379,236,792.33	10,826,353,785.05
	Net increase of financial assets at fair value through profit or loss		4,504,583,697.73	1,770,935,074.20
	Net decrease of repurchase business			1,439,852,973.97
	Net increase in advances to customers on margin financing		1,622,093,003.66	1,284,847,392.28
	Cash payment to interests, fee charges and commissions		688,281,627.02	565,340,715.48
	Cash payments to and on behalf of employees		850,448,240.88	748,006,626.60
	Cash payments of taxes		244,373,933.87	314,710,691.29
	Other cash payments related to operating activities	58	2,098,653,166.86	1,214,320,340.55
	Subtotal of cash outflows from operating activities		10,008,433,670.02	7,338,013,814.37
	Net cash flows from operating activities	58	1,370,803,122.31	3,488,339,970.68
II.	**Cash flows from investing activities:**			
	Cash received from investment income		60,584,894.64	103,301,122.28
	Cash received from disposal of fixed assets, intangible assets and other long-term asset		219,869.46	41,811,328.73
	Subtotal of cash inflows from investing activities		60,804,764.10	145,112,451.01
	Cash payments to acquire investments		1,278,882,226.50	126,399,963.48
	Cash payments to acquire fixed assets, intangible assets and other long-term assets		117,362,199.51	105,167,749.41
	Subtotal of cash outflows from investing activities		1,396,244,426.01	231,567,712.89
	Net cash flows from investing activities		-1,335,439,661.91	-86,455,261.88

CONSOLIDATED CASH FLOW STATEMENT

For the period ended 31 December 2020 CENTRAL CHINA SECURITIES CO., LTD. (Expressed in RMB Yuan)

Item		Note VI No.	For the year ended 31 December, 2020	For the year ended 31 December, 2019
III.	**Cash flows from financing activities:**			
	Cash received by absorbing investments		3,644,663,940.00	
	Including: Cash received by subsidiaries from absorbing minority shareholders' investment			
	Cash received from loans		689,174,336.00	3,740,032,224.18
	Cash received from issuing of bonds		6,117,939,031.63	8,525,253,892.34
	Subtotal of cash inflows from financing activities		10,451,777,307.63	12,265,286,116.52
	Cash repayments of borrowings		8,366,714,808.43	12,225,037,946.72
	Cash payments for distribution of dividends or profit or interest expenses		476,776,544.21	651,455,777.88
	Including: cash payments of subsidiaries to non-controlling shareholders as distribution of dividends or profit		6,634,020.00	33,927,012.20
	Other cash payments related to financing activities	58	133,454,629.51	584,905,867.76
	Subtotal of cash outflows from financing activities		8,976,945,982.15	13,461,399,592.36
	Net cash flows from financing activities		1,474,831,325.48	-1,196,113,475.84
IV.	**Effect of foreign exchange rate changes on cash & cash equivalents**		-3,348,221.20	-2,411,060.48
V.	**Net increase/(decrease) in cash and cash equivalents**	58	1,506,846,564.68	2,203,360,172.48
	Add: Opening balance of cash and cash equivalents		11,805,475,726.56	9,602,115,554.08
VI.	**Closing balance of cash and cash equivalents**		13,312,322,291.24	11,805,475,726.56

PARENT COMPANY'S CASH FLOW STATEMENT

For the period ended 31 December 2020 CENTRAL CHINA SECURITIES CO., LTD. (Expressed in RMB Yuan)

Item		Note XVII No.	For the year ended 31 December, 2020	For the year ended 31 December, 2019
I.	**Cash flows from operating activities:**			
	Cash receipt from interests, fee and commissions		2,447,542,230.21	1,564,495,346.34
	Net increase of due to banks and other financial institutions		1,330,000,000.00	120,000,000.00
	Net increase of repurchase business		3,282,055,509.95	
	Net decrease of resale business		693,725,172.41	5,669,050,871.31
	Cash received from brokerage clients		1,509,151,900.87	2,299,626,262.98
	Other cash receipts related to operating activities		47,039,557.07	194,636,101.48
	Subtotal of cash inflows from operating activities		9,309,514,370.51	9,847,808,582.11
	Net increase of financial assets at fair value through profit or loss		4,424,200,415.64	3,082,895,332.00
	Net decrease of repurchase business			1,439,852,973.97
	Net increase in advances to customers on margin financing		1,665,197,871.00	1,450,440,993.74
	Cash payment to interests, fee charges and commissions		645,952,818.64	517,801,713.38
	Cash payments to and on behalf of employees		741,941,079.67	630,347,197.40
	Cash payments of taxes		164,519,232.68	236,336,070.97
	Other cash payments related to operating activities		708,719,319.40	792,812,762.93
	Subtotal of cash outflows from operating activities		8,350,530,737.03	8,150,487,044.39
	Net cash flows from operating activities	6	958,983,633.48	1,697,321,537.72
II.	**Cash flows from investing activities:**			
	Cash received from investment			134,787,756.07
	Cash receipt from investment income		105,550,982.70	99,390,537.52
	Cash receipt from disposal of fixed assets, intangible assets and other long-term asset		165,683.59	41,765,748.24
	Subtotal of cash inflows from investing activities		105,716,666.29	275,944,041.83
	Cash payments to acquire investments		1,427,522,815.54	
	Cash payments to acquire fixed assets, intangible assets and other long-term assets		112,128,505.23	98,919,190.92
	Subtotal of cash outflows from investing activities		1,539,651,320.77	98,919,190.92
	Net cash flows from investing activities		-1,433,934,654.48	177,024,850.91

PARENT COMPANY'S CASH FLOW STATEMENT

For the period ended 31 December 2020 CENTRAL CHINA SECURITIES CO., LTD. (Expressed in RMB Yuan)

Item		Note XVII No.	For the year ended 31 December, 2020	For the year ended 31 December, 2019
III.	**Cash flows from financing activities:**			
	Cash received from absorbing investment		3,644,663,940.00	
	Cash received from loans		300,000,000.00	
	Cash received from issuing of bonds		5,400,203,000.00	8,525,253,892.34
	Subtotal of cash inflows from financing activities		9,344,866,940.00	8,525,253,892.34
	Cash repayments of borrowings		6,715,301,000.00	8,189,169,000.00
	Cash payments for distribution of dividends or profit or interest expenses		418,420,136.68	542,228,264.55
	Other cash payments related to financing activities		84,168,489.90	46,308,316.33
	Subtotal of cash outflows from financing activities		7,217,889,626.58	8,777,705,580.88
	Net cash flows from financing activities		2,126,977,313.42	-252,451,688.54
IV.	**Effect of foreign exchange rate changes on cash & cash equivalents**		-646,160.05	30,847.35
V.	**Net increase/(decrease) in cash and cash equivalents**	6	1,651,380,132.37	1,621,925,547.44
	Add: Opening balance of cash and cash equivalents		9,849,533,204.97	8,227,607,657.53
VI.	**Closing balance of cash and cash equivalents**		11,500,913,337.34	9,849,533,204.97

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 2020 CENTRAL CHINA SECURITIES CO., LTD. (Expressed in RMB Yuan)

Item	For the year ended 31 December, 2020								
	Equity attributable to shareholders of parent company								
	Share capital/ Paid-in capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Retained earnings	Subtotal	Non-controlling interest	Total equity
I. Balance at the end of prior year	3,869,070,700.00	3,487,237,785.96	36,543,591.23	808,084,287.96	1,382,038,921.28	88,232,726.32	9,671,208,012.75	826,578,441.02	10,497,786,453.77
Add: Changes of accounting policies									
Error correction of early stage									
Others									
II. Balance at the beginning of current year	3,869,070,700.00	3,487,237,785.96	36,543,591.23	808,084,287.96	1,382,038,921.28	88,232,726.32	9,671,208,012.75	826,578,441.02	10,497,786,453.77
III. Current period increase (or less: decrease)	773,814,000.00	2,843,385,031.72	-23,994,465.35	30,273,959.83	59,479,892.12	14,548,186.83	3,697,506,605.15	-8,816,968.41	3,688,689,636.74
(I) Total comprehensive income			-23,994,465.35			104,302,038.78	80,307,573.43	-2,182,948.41	78,124,625.02
(II) Capital contributed or withdrawn by owners	773,814,000.00	2,843,315,826.36					3,617,129,826.36		3,617,129,826.36
1. Capital contributed by owners	773,814,000.00	2,843,315,826.36					3,617,129,826.36		3,617,129,826.36
2. Capital contributed by holders of other equity instruments									
3. Amount of share-based payment included in equity									
4. Others									
(III) Profit distribution				30,273,959.83	59,479,892.12	-89,753,851.95		-6,634,020.00	-6,634,020.00
1. Appropriation to surplus reserve				30,273,959.83		-30,273,959.83			
2. Appropriation to general risk reserve					59,479,892.12	-59,479,892.12			
3. Cash dividend recognized as distribution								-6,634,020.00	-6,634,020.00
4. Others									
(IV) Internal carry-over within equity									
1. Transfer of capital reserve to capital									
2. Transfer of surplus reserve to capital									
3. Surplus reserve to cover losses									
4. Others									
(V) Others		69,205.36					69,205.36		69,205.36
IV. Balance at the end of current period	4,642,884,700.00	6,330,622,817.68	12,549,125.88	838,358,247.79	1,441,518,813.40	102,780,913.15	13,368,714,617.90	817,761,472.61	14,186,476,090.51

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 2019 CENTRAL CHINA SECURITIES CO., LTD. (Expressed in RMB Yuan)

	For the year ended 31 December, 2019								
	Equity attributable to shareholders of parent company								
Item	Share capital/ Paid-in capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Retained earnings	Subtotal	Non-controlling interest	Total equity
I. Balance at the end of prior year	3,869,070,700.00	3,756,106,523.53	28,206,891.34	759,912,449.33	1,298,870,167.26	238,731,987.53	9,950,898,718.99	1,324,140,998.47	11,275,039,717.46
Add: Changes of accounting policies									
Error correction of early stage									
Others									
II. Balance at the beginning of current year	3,869,070,700.00	3,756,106,523.53	28,206,891.34	759,912,449.33	1,298,870,167.26	238,731,987.53	9,950,898,718.99	1,324,140,998.47	11,275,039,717.46
III. Current period increase (or less: decrease)		-268,868,737.57	8,336,699.89	48,171,838.63	83,168,754.02	-150,499,261.21	-279,690,706.24	-497,562,557.45	-777,253,263.69
(I) Total comprehensive income			8,336,699.89			58,222,745.44	66,559,445.33	20,941,021.22	87,500,466.55
(II) Capital contributed or withdrawn by owners		-250,326,601.51					-250,326,601.51	-484,576,566.47	-734,903,167.98
1. Capital contributed by owners									
2. Capital contributed by holders of other equity instruments									
3. Amount of share-based payment included in equity									
4. Others		-250,326,601.51					-250,326,601.51	-484,576,566.47	-734,903,167.98
(III) Profit distribution				48,171,838.63	83,168,754.02	-208,722,006.65	-77,381,414.00	-33,927,012.20	-111,308,426.20
1. Appropriation to surplus reserve				48,171,838.63		-48,171,838.63			
2. Appropriation to general risk reserve					83,168,754.02	-83,168,754.02			
3. Cash dividend recognized as distribution						-77,381,414.00	-77,381,414.00	-33,927,012.20	-111,308,426.20
4. Others									
(IV) Internal carry-over within equity									
1. Transfer of capital reserve to capital									
2. Transfer of surplus reserve to capital									
3. Surplus reserve to cover losses									
4. Others									
(V) Others		-18,542,136.06					-18,542,136.06		-18,542,136.06
IV. Balance at the end of current period	3,869,070,700.00	3,487,237,785.96	36,543,591.23	808,084,287.96	1,382,038,921.28	88,232,726.32	9,671,208,012.75	826,578,441.02	10,497,786,453.77

PARENT COMPANY'S STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 2020 CENTRAL CHINA SECURITIES CO., LTD. (Expressed in RMB Yuan)

	For the year ended 31 December, 2020						
Item	Share capital/ Paid-in capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Retained earnings	Total equity
I. Balance at the end of prior year	3,869,070,700.00	3,762,844,544.48	5,435,762.48	808,084,287.96	1,315,470,752.11	170,879,423.10	9,931,785,470.13
Add: Changes of accounting policies							
Error correction of early stage							
Others							
II. Balance at the beginning of current year	3,869,070,700.00	3,762,844,544.48	5,435,762.48	808,084,287.96	1,315,470,752.11	170,879,423.10	9,931,785,470.13
III. Current period increase (or less: decrease)	773,814,000.00	2,843,315,826.36	-6,823,772.15	30,273,959.83	55,641,804.65	115,910,634.41	3,812,132,453.10
(I) Total comprehensive income			-6,823,772.15			201,826,398.89	195,002,626.74
(II) Capital contributed or withdrawn by owners	773,814,000.00	2,843,315,826.36					3,617,129,826.36
1. Capital contributed by owners	773,814,000.00	2,843,315,826.36					3,617,129,826.36
2. Capital contributed by holders of other equity instruments							
3. Amount of share-based payment included in equity							
4. Others							
(III) Profit distribution				30,273,959.83	55,641,804.65	-85,915,764.48	
1. Appropriation to surplus reserve				30,273,959.83		-30,273,959.83	
2. Appropriation to general risk reserve					55,641,804.65	-55,641,804.65	
3. Cash dividend recognized as distribution							
4. Others							
(III) Profit distribution							
1. Appropriation to surplus reserve							
2. Appropriation to general risk reserve							
3. Cash dividend recognized as distribution							
4. Others							
(V) Others							
IV. Balance at the end of current period	4,642,884,700.00	6,606,160,370.84	-1,388,009.67	838,358,247.79	1,371,112,556.76	286,790,057.51	13,743,917,923.23

PARENT COMPANY'S STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 2019 CENTRAL CHINA SECURITIES CO., LTD. (Expressed in RMB Yuan)

	For the year ended 31 December, 2019						
Item	Share capital/ Paid-in capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Retained earnings	Total equity
I. Balance at the end of prior year	3,869,070,700.00	3,781,398,714.65	3,174,302.76	759,912,449.33	1,248,030,178.03	42,727,658.94	9,704,314,003.71
Add: Changes of accounting policies							
Error correction of early stage							
Others							
II. Balance at the beginning of current year	3,869,070,700.00	3,781,398,714.65	3,174,302.76	759,912,449.33	1,248,030,178.03	42,727,658.94	9,704,314,003.71
III. Current period increase (or less: decrease)		-18,554,170.17	2,261,459.72	48,171,838.63	67,440,574.08	128,151,764.16	227,471,466.42
(I) Total comprehensive income			2,261,459.72			321,145,590.87	323,407,050.59
(II) Capital contributed or withdrawn by owners							
1. Capital contributed by owners							
2. Capital contributed by holders of other equity instruments							
3. Amount of share-based payment included in equity							
4. Others							
(III) Profit distribution				48,171,838.63	67,440,574.08	-192,993,826.71	-77,381,414.00
1. Appropriation to surplus reserve				48,171,838.63		-48,171,838.63	
2. Appropriation to general risk reserve					67,440,574.08	-67,440,574.08	
3. Cash dividend recognized as distribution						-77,381,414.00	-77,381,414.00
4. Others							
(IV) Internal carry-over within equity							
1. Transfer of capital reserve to capital							
2. Transfer of surplus reserve to capital							
3. Surplus reserve to cover losses							
4. Others							
(V) Others		-18,554,170.17					-18,554,170.17
IV. Balance at the end of current period	3,869,070,700.00	3,762,844,544.48	5,435,762.48	808,084,287.96	1,315,470,752.11	170,879,423.10	9,931,785,470.13

I. COMPANY PROFILE

CENTRAL CHINA SECURITIES CO., LTD.(English abbreviation of the Company:CCSC) according to CSRC's "Reply Concerning Approval of Opening of Central China Securities Co., Ltd."(SFC number [2002] No.326), and "Henan Provincial Government's reply of Approval to Central China Securities Co.,Ltd."(ygpz [2002] No.31), Henan Finance Securities Company, and the Securities branch of Anyang Entrust Investment Company merged and reorganised into one, which later joined other qualified companies to form Central China Securities Co., Ltd. after increase in capital and share. The Company was registered with Henan Administration for Industry & Commerce on 8 November 2002 with a registered capital of RMB1,033,790,000.00. The structure of registered capital are as follow:

Company	Registered capital (in RMB)	Proportion of registered capital (%)
Xuji Group Co.,Ltd.	420,000,000.00	40.627
Henan Economic and Technological Development Company	363,618,400.00	35.173
Henan Construction Investment Corporation	100,000,000.00	9.673
Anyang Iron& Steel Group Co.,Ltd.	100,000,000.00	9.673
Anyang Economic Development Group Co.,Ltd.	16,980,800.00	1.643
Anyang Entrust Investment Company	10,522,500.00	1.018
Henan Shenhuo Group Co.,Ltd	10,000,000.00	0.967
Jiaozuo Economic and Technological Development Co.,Ltd.	7,668,300.00	0.742
Hebi Construction& Investment Group Co.,Ltd.	5,000,000.00	0.484

On 31 December, 2002, according to CSRC's "Reply Concerning Approval of Opening of Central China Securities Co., Ltd."(SFC number [2002] No.326), and "Henan Provincial Government's Letter of Adjusting the Structure of Central China Securities Co.,Ltd."(Yu Zheng Han[2001] No.66), CCSC signed the Securities Asset Acquisition Agreement with Henan Securities Co., Ltd. to acquire the securities assets from the headquarter, 19 operating offices, and 11 servicing offices.

In January 2003, the CCSC signed the "Securities Asset Acquisition Agreement" with City Finance Bureau of Zhumandian, City Finance Bureau of Mengzhou and City Finance Bureau of Xuchang to acquire Zhumadian National Debt Service Department, Mengzhou National Debt Service Department and Xuchang National Debt Service Department.

On 4 January, 2007, People's Government of Anyang issued the "Reply Concerning Approval of Anyang Economic Development Group Co., Ltd."to make up for the CCSC's Capital insufficiency (An Zheng Wen [2007] No.3), transferring the 1,052,250,000.00 RMB of shares of CCSC held by the Anyang Entrust Investment Company to Anyang Economic and Technological Development Company.

I. COMPANY PROFILE (CONTINUED)

In June 2008, according to the resolution of the Company's fifth general meeting of shareholders, with the approval of CSRC's "Reply on Approval of Change of Registered Capital of Central China Securities Co., Ltd."(zjxk [2008] No. 94), the registered capital of the Company increased by RMB999,725,700.00, among them: all the shareholders shall contribute RMB500,000,000.00 in currency, and the undistributed profits shall be converted into increased capital stock RMB499,725,700.00. On 10 June, 2008, according to CSRC's "Reply on Approval of Equity Alteration of Central China Securities Co., Ltd."(zjxk [2008] No. 781), Henan Investment Group was approved by the CSRC to receive 196,704,200 shares of the Company (9.673% of the registered capital) held by Henan Construction Investment General Company and 715,253,600.00 shares of the Company (35.173% of the registered capital) held by Henan Economic and Technological Development Co., Ltd. Henan Economy Technical Development Company, the Company's registered capital changed from RMB1,033,790,000.00 to RMB2,033,515,700.00. The capital increase was verified by Zhongrui Yuehua Certified Public Accountants on 16 June, 2018 with Zhongrui Yuehua Yanzi[2008] No.2141 capital verification report. The registered capital structure after the capital increase and equity change is as follows:

Company	Registered capital (in RMB)	Proportion of registered capital (%)
Henan Investment Group Co.,Ltd.	911,957,800.00	44.846
Xuji Group Co.,Ltd.	826,159,600.00	40.627
Anyang Iron & Steel Group Co., Ltd.	196,704,200.00	9.673
Anyang Economic Development Group Co., Ltd.	54,103,200.00	2.661
Henan Shenhuo Group Co.,Ltd	19,668,900.00	0.967
Jiaozuo Economic and Technological Development Co., Ltd.	15,085,100.00	0.742
Hebi Economic Construction Investment Group Co., Ltd.	9,836,900.00	0.484

On 1 June, 2011, according to the Henan Securities Regulatory Bureau of the China Securities Regulatory Commission, "No Objection Letter Regarding the Approval of Central China Securities Co., Ltd. to Change the Shareholders Holding Less than 5%"(Yu ZhengJian Han [2011] No. 111), Jiangsu Province Silk Group Co., Ltd. (later renamed Jiangsu Soho Holding Group Co., Ltd.), Guangzhou Libai Investment Co., Ltd., Jiangsu Huiyou Sweater Co., Ltd., Shenzhen Guangsheng Investment Development Co., Ltd., Zhangjiagang Freetrade Science & Technology Co., Ltd., China Pingmei Shenma Energy Chemical Group Co., Ltd., Henan Jinlong Industrial Co., Ltd. and Shandong Weihai Huanqiu Fishing Tackle Industrial Co., Ltd. were transferred equity to Xu Ji Group Co., Ltd. for RMB30.00 million, RMB20.00 million, RMB10.00 million, RMB10.00 million, RMB83,159,600.00, RMB16.00 million and RMB15.00 million respectively.

On 26 September, 2011, the CSRC approved that Bohai Industrial Investment Fund Management Co., Ltd. (on behalf of Bohai Industrial Investment Fund) was qualified to hold more than 5% of equity of Central China Securities Co., Ltd. by "Reply on Approving the Change of Shareholders Holding More than 5% Equity of Central China Securities Co., Ltd."(zjxk [2011] No.1534) as a shareholder and to receive 608,000,000.00 shares of the Company held by Xuji Group Co., Ltd..

On April 6, 2012, According to "No Objection Letter Regarding the Approval of Central China Securities Co., Ltd. to Change Shareholders Holding Less than 5% Equity" (Yu Zhengjian Han[2012] No.41), the RMB24,000,000 shares which Xuji Group Co.,Ltd. hold transferred to Xuchang Superlift Building Materials Technology Co., Ltd..

I. COMPANY PROFILE (CONTINUED)

On 22 April, 2014, According to the CSRC's "Reply Concerning of Central China Securities Co., Ltd. to Issue Shares Overseas" (CSRC License[2014] No.438), CCSC were approved to issue no more than 598,100,000.00 overseas ordinary shares with par value of 1 RMB per share. On 24 June, 2014, the Stock Exchange of Hong Kong Ltd. (Hong Kong Stock Exchange) issued approval to allow CCSC to trade publicly the main board. On 25 June 2014, shares issued overseas by the Company were listed on the main board of Hong Kong Stock Exchange (stock code: 1375.HK). After the Completion of the H-share issue, the registered capital increased to RMB2,631,615,700.00.

On 15 June, 2015, the second extraordinary general meeting of the Company in 2015, the first meeting of shareholders of A-share and the first meeting of shareholders of H-share examined and approved the Proposal on the Additional Issuance of H-shares by Central China Securities Co., Ltd. and agreed that the Company would not issue more than 592,119,000 H-shares. On 21 July, 2015, the Company received the CSRC's "Reply on the Approval of The additional Issuance of Overseas Listed Foreign Capital Shares by Central China Securities Co., Ltd.,", which approved the additional issuance of no more than 592,119,000 H-shares.

The non-public issuance of 592,119,000 H-Shares to at least 6 shareholders was completed by the Company on 3 August, 2015 with a par value of 1 RMB at an issue price of HK$4.28 per share. On 14 August, 2015, The registered capital with the Henan Administration for Industry & Commerce, with the registered capital increased to RMB3,223,734,700.00.

On 18 November, 2016, The third extraordinary general meeting of shareholders, the second meeting of shareholders of A-share and the second meeting of shareholders of H-share of the Company in 2016 made the resolutions, On 25 November, 2016, the Company was approved by the CSRC for "Reply on the Approval of the Initial Public Offering of Shares of Central China Securities Co., Ltd."(zjxk [2016] No.2868), the Company was approved to issue no more than 700.00 million denominated ordinary shares, with a par value of 1.00 RMB each, after which the Company's registered capital has increased to RMB3,923,734,700.00. The Company has actually issued 700.00 million ordinary shares with a par value of 1.00 RMB per share. After the issuance, the registered capital increased to RMB3,9,734,700.00. On 3 January, 2017, the Company was listed on the Shanghai Stock Exchange. According to "Implementation Measures for the Transfer of Certain State-owned Shares in the Domestic Securities Market to Enrich the National Social Security Fund" (CQ [2009] No.94) issued by CSRC and "Approval on the Management Plan of Central China Securities Co., Ltd. Issuing A-Shares of State-owned Equity and the Transfer of State-owned Shares" (Yu Guozi Chanquan [2015] No.26) issued by the SASAC of Henan Province, of the 700,000,000 shares to be issued under this issuance, state-owned shareholders Henan Investment Group, Anyang Iron & Steel Group, China Pingmei Shenma Energy Chemical Group Co., Ltd., Anyang Economic Development Group Co., Ltd, Jiangsu Soho Holding Group Co., Ltd., Henan Shenhuo Group Co.,Ltd, Jiaozuo Economic and Technological Development Co., Ltd., Shenzhen Guangsheng Investment Development Co., Ltd. and Hebi Economic Construction Investment Group Co., Ltd. would transfer their 47,979,175 shares, 10,348,840 shares, 4,375,124 shares, 2,846,433 shares, 1,578,336 shares, 1,034,804 shares, 793,645 shares, 526,112 shares and 517,531 shares (70,000,000 shares in total), respectively, to National Council for Social Security Fund.

I. COMPANY PROFILE (CONTINUED)

On 22 May, 2017, 2016 annual general meeting of shareholders, the first time A-share shareholders' meeting and the first time H-share shareholders' meeting in 2017 examined and approved "The Proposal of Central China Securities Co., Ltd. on the Repurchase of the Company's H-Shares through Exchange Trading", the Company proposed by the court to buy back part H-shares in the form of share buybacks. On 24 January, 2018, "Reply on Approving the Change of Registered Capital of Central China Securities Co., Ltd."(zjxk[2018] No.144), the registered capital of the approved company was changed from RMB3,923,734,700.00 to not less than RMB3,798,731,800.00. The Company repurchased certain H-shares by means of on-market share buyback, which was completed on 18 May, 2018. The Company has repurchased 54,664,000 H-shares on a cumulative basis (accounting for 4.37% of the number of the shares and 1.39% of the capital stock, before the repurchasing). On 23 May, 2018, the Company completed the share repurchase write-off. On 11 July, 2018, the company completes the procedures of industrial and commercial change registration and obtained the business licence reissued by the Henan Administration for industry and commerce. The registered capital increased to RMB3,869,070,700.00.

Approved by the Company's general meeting of shareholders on 11 June, 2019 and 10 June, 2020, and the China Securities Regulatory Commission issued the document "Reply on the Approval of the Non-public Issuance of Shares of Central China Securities Co., Ltd." (zjxk[2020] No.1190), the Company is approved for non-public issuance of no more than 773,814,000 new shares, valid for 12 months from the date of approval of the issuance. The Company completed the non-public offering of A-shares in July 2020, the Company has actually issued 773,814,000 ordinary shares, after the issuance, the registered capital increased to RMB4,642,884,700.00. The capital increase was verified by Henan Xinghua certified public accountants Co., Ltd on 24 July, 2020 with Yu Xinghua Yanzi[2020] No.010 capital verification report.

Legal representative: Mingjun JIAN.

Address:10 Business Outer Ring Road, Zhengdong New District, Zhengzhou City, Henan Province, China.

The Company belongs to the financial industry. The business scope of the company and its subsidiaries (hereinafter referred to as "the Group") includes: brokerage business (securities brokerage, futures brokerage, wealth management and distribution of financial products), investment banking business (equity financing, financial adviser and bond financing), credit business (margin trading business, stock-pledged repurchase business and agreed repurchase securities trading business), investment management business (asset management, direct investment and fund management), futures business, proprietary trading business, overseas business and other business of headquarters (stock-pledged repurchases business, agreed repurchase type securities trading business, new OTC market making business, micro loan, innovation business, equity trading center, overseas business and research business).

I. COMPANY PROFILE (CONTINUED)

The basic organizational structure of the Company: the general meeting of shareholders is the Company's authority, the board of directors is the Company's decision-making body, the manager is the Company's executive body, the board of supervisors is the company's supervisory body, the board of Directors consists of the Development Strategy Committee, Remuneration and Nomination Committee, Risk Management Committee and Audit Committee. In addition, the group has Audit Headquarters, Company Office, Strategic Development Department, Party Committee Work Department, Discipline Inspection Department, Mass Work Department, Company Disciplinary Inspection and Supervision Team, Inspection Work Office, Human Resources Management Headquarters, Planning and Finance Headquarters, Accounting Center, Capital Operation Headquarters, Settlement Trusteeship Department, Centralized Operation Center, Transaction Settlement Headquarters, Information Technology Headquarters, Risk Management Headquarters, Legal Affairs Headquarters, Compliance Management Headquarters, Brokerage Operation Management Headquarters, Retail Business Headquarters, Margin Trading and Derivatives Business Department, Internet Finance Department, Market Making Business Headquarters, Securities Research Institute, Pledge Financing Department, Strategic Customer Department, Asset Custody Headquarters, Asset Management Headquarters, Financial Markets Department, Administration Department, Logistics Service Center, Construction Project Office, Beijing Comprehensive Management Department, Financial Products Department, Securities Investment Headquarters, Fixed Income Investment Headquarters, First Capital Market Department, Second Capital Market Department, Zhengzhou Investment Bank Headquarters, Investment Bank Operation Management Headquarters, First Corporate Finance Department, Second Corporate Finance Department, Third Corporate Finance Department, Forth Corporate Finance Department, Fifth Corporate Finance Department, Sixth Corporate Finance Department, Inclusive Finance Department, Eighth Corporate Finance Department (International Business Department), Ninth Corporate Finance Department, Tenth Corporate Finance Department, Eleventh Corporate Finance Department, Twelfth Corporate Finance Department, Thirteenth Corporate Finance Department, Bond and Structured Finance Department, Quality Control Headquarters, Financing Management Department, M&A Finance Department and other functional departments.

As of the end of the Reporting Period, the Company had 86 securities branches and has approved the establishment of 28 branches. The Company directly owned 5 domestic subsidiaries, including Central China Futures Co., Ltd. ("CCF"), Zhongding Kaiyuan Venture Capital Management Co., Ltd. ("ZDKY"), Central China International Financial Holdings Co., Ltd. ("CCIFHC"), Central China Blue Ocean Investment Management Co., Ltd. ("CCBO"), Central China Equity Exchange Co., Ltd. ("CCEEC"). The Company had 9 third level-holding subsidiaries, including Yuxin Investment Management (Shanghai) Co., Ltd. ("Yuxin Investment"), Henan Zhongzheng Kaiyuan Venture Capital Private Equity Fund Management Co.,Ltd. ("ZZKY", formerly name: Zhongding Kaiyuan Venture Capital Management Co., Ltd.), Henan Central China Micro-lending Company Limited ("Central China Micro-lending Henan"), Central China International Holdings Co., Ltd. ("Central China International Holdings"), Central China International Investment Co., Ltd. ("Central China International Investment"), Central China International Securities Co., Ltd. ("Central China International Securities"), Central China International Futures Co., Ltd. ("Central China International Futures"), Central China International Financing Co., Ltd. ("Central China International Financing"),Wending Zhongyuan Company Limited. Central China International Financial Group Limited ("Central China International Financial Group") is forth level-holding subsidiaries of CCSC.

II. THE RANGE OF CONSOLIDATED FINANCIAL STATEMENTS

The Group's Consolidated Financial Statements included directly or indirectly controlled subsidiaries and structured entities. For details, please refer to Note VIII of this report.

III. THE RULE OF ESTABLISHMENT

1. Preparation basis

On the basis of going concern, the Company's financial statements have adopted the Accounting Standards for Business Enterprises (ASBEs) and relevant provisions Issued by the Ministry of Finance and combined with actual transactions and events, China Securities Regulatory Commission rules for "The Preparation and Reporting of Corporate Information Disclosure of Public Securities No. 15 — General Provisions for Financial Statements", "Hong Kong Companies Ordinance and The Rules Governing the Listing on the Stock Exchange of Hong Kong Limited", the details of the Company's accounting policies and estimates can be found in "Note IV. Significant accounting policies and estimates".

2. Assessment of the ability to continue as a going concern

Based on the Company's profit of recent years and supportive financial resources, it is reasonable to prepare the financial statements based on going concern.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

Notice on the specific accounting policies and estimates: the Group formulated specific accounting policies and accounting estimates according to actual production and operation characteristics, including the clients' transaction settlement funds, financial instruments, securities underwriting business, entrusted investment management business, margin and short selling business, purchase and reverse repurchase business, income recognition, etc.

1. Statement of compliance

The financial statements have been prepared in accordance with the requirements of China Accounting Standards for Business Enterprises (ASBEs), and present truly and completely the financial position as at 31 December, 2020, results of operations and cash flows for the twelve months period ended of the Company and the Group.

2. Accounting period

The Company's accounting year starts on 1 January and ends on 31 December in Gregorian calendar.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

3. Functional currency

The Company's functional currency is Chinese Yuan (RMB).

4. Basis of accounting and pricing principles

The Company accounting is based on accrual basis. Except for financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial liabilities at fair value through profit and loss, etc., which are measured at fair value, historical cost is the pricing principle.

5. Accounting for business combination

Assets and liabilities arising from business combination under common control are measured at carrying amount of the combined party included in the consolidated financial statements of the ultimate controlling party on the combination date. Difference between carrying amount of the equity of the combined party included in the consolidated financial statements of the ultimate controlling party and that of the combination consideration or total par value of shares issued is adjusted to capital reserve, if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

For business combination under non-common control, the identifiable assets acquired and the liabilities assumed are recognized at their fair value on the acquisition date. The combination cost is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree (the cost of the combination through multiple transactions is the sum of the cost of each transaction). When combination cost is in excess of the fair value of identifiable net assets obtained from the acquiree on the acquisition date, the excess is recognized as goodwill; otherwise, the fair value of identifiable assets, liabilities and contingent liabilities, and the measurement of the combination cost are reviewed, then the difference is recognized in profit or loss.

6. Preparation method of consolidated financial statements

The scope of the Company's consolidated financial statements is consisted of the Company and its subsidiaries. Subsidiaries refer to the entities controlled by the Company, including companies, divisible part of the investees and structured entities under control, etc.

If the accounting policies or accounting periods of the subsidiaries are different from those of the Company, when preparing the consolidated financial statements, necessary adjustments to the financial statements of the subsidiaries based on its own accounting policies and accounting periods are made accordingly.

All significant inter-group accounts, transactions and unrealized profit between the Company and its subsidiaries are eliminated on consolidation. The portion of a subsidiary's net profit of the period, other comprehensive income and total comprehensive income that is not attributable to the parent is treated as minority interests and presented in the consolidated financial statement as "non-controlling interests, net profit attributable to non-controlling interests and total comprehensive income attributable to non-controlling interests".

For the subsidiary acquired under common control, its operating results and cash flow are incorporated into the consolidated financial statements at the beginning of the period. When compiling the comparable consolidated financial statements, the related items of the financial statements of the previous year are adjusted, as the reporting entity formed after the combination have existed since the ultimate controlling party began to control.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

6. Preparation method of consolidated financial statements (continued)

For the subsidiary acquired under non-common control, the operating results and cash flows are incorporated into the consolidated financial statements from the date of the Company's control. In the preparation of consolidated financial statements, the financial statements of subsidiaries are adjusted on the basis of the fair value of identifiable assets, liabilities and contingent liabilities established on the date of purchase.

When preparing the consolidated financial statements that the Company partially disposes its subsidiaries without loss of control, the capital premium or the equity premium should be adjusted in accordance with the difference between the disposal consideration and the constant calculated share on net assets from the purchase date or the combination date of the disposed long-term equity investment. If the capital accumulation is insufficient, retained earnings should be adjusted.

When preparing the consolidated financial statements that the Company loses its control over the investors because of the disposal of some equity investment, the residual equity is re-measured in accordance with its fair value on the day of loss of control rights. The difference between the sum of the fair value of the right and residual equity and the constant calculated share on net assets from the purchase date or the combination date of the disposed long-term equity investment is recognized as profit and loss in the period of loss of control, while the goodwill is reduced at the same time. Other comprehensive income related to the equity investment of the original subsidiary is converted to the current investment profit and loss in the period of loss of control.

When the Company disposes of its subsidiaries until the loss of control through multiple transactions, if the multiple transactions of disposal belong to the package of transactions, the transactions should be treated as one transaction of disposal a subsidiary. The difference in the share of the net assets of each disposal price prior to the disposal of the investment, before loss of control, is recognized as other comprehensive income in the consolidated financial statements, and the loss of control is transferred to the investment gains and losses in the current period of loss of control.

7. Confirmation standard of cash and cash equivalents

Cash as presented in cash flow statement refers to cash on hand and demand deposits. Cash equivalents refer to short-term, highly liquid investments that are readily convertible into known amounts and which are subject to an insignificant risk of changes in value.

8. Foreign currency transaction and foreign currency statement translation

Transactions denominated in foreign currency are translated into RMB at the spot exchange rate on the transaction date at initial recognition. On the balance sheet date, monetary items denominated in foreign currency are translated at the spot exchange rate on the balance sheet date with difference, except for those arising from the principal and interest of exclusive borrowings eligible for capitalization, included in the profits or losses; non-cash items carried at historical costs are translated at the spot exchange rate on the transaction date, with its RMB amount unchanged; non-cash items carried at fair value in foreign currency are translated at the spot exchange rate on the date when the fair value was determined, with difference included in the profits or losses or other comprehensive income.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial assets and financial liabilities

Financial instruments refer to contracts that form the financial assets of an enterprise and form financial liabilities or equity instruments of other units.

(1) Initial recognition and measurement of financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus any variance in the case of the fair value of a financial asset or financial liability changes in the future. Related transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability are recognized as profit and loss. Related transaction costs of other financial assets and financial liabilities are included in the initial recognized value.

(2) Classification of financial assets

Based on the Group’s business model for managing the assets and the characteristics of the contractual cash flows of the asset, financial assets are classified as the following three categories:

(i) Amortized cost assets;

(ii) Financial assets at fair value through other comprehensive income;

(iii) Financial assets at fair value through profit or loss.

The classification of financial assets depends on the business model of how the Group manage its assets and the characteristics of the cash flow of the assets.

Business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group’s objective is solely to collect the contractual cash flows from the assets, cash flows arising from the sale of assets, or both. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of “other” business model and measured at FVPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset’s performance is evaluated and reported to key management personnel, how risks are assessed and managed, and how managers are compensated.

The cash flow characteristics of the financial instrument contract represents the cash flow characteristics that the financial instrument contracts agree and reflects the economic characteristics of related financial assets. The characteristic of contractual cash flow that is consistent with basic lending agreement means the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The principal means the fair value at the initial recognition, where the interest means the assessments of time value of money, credit risk, and other basic leading risks and a profit margin that is consistent with a basic lending arrangement. The characteristic of the contractual cash flow of the Group’s financial assets that are amortized over the contractual period and the financial assets measured at fair value with the variance reflected in other comprehensive income or loss matches the basic lending agreement.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial assets and financial liabilities (continued)

(2) Classification of financial assets (continued)

When the Group modifies its business model on managing financial assets, it will reclassify all the impacted financial assets and make adjustment prospectively starting from the date of reclassification. The Group is not allowed to adjust its gains, losses, or interests retroactively. The reclassification date is the first date of the reporting period after the business model is modified as a result of the reclassification of financial assets.

The classification requirements for debt instruments assets and equity instruments assets are described as below:

① *Debt Instruments*

It means that from the issuer's perspective, the instrument that meets the definition of financial debt. Based on business model for managing the assets and the characteristics of the contractual cash flows of the asset, the Group classifies its debt instruments into one of the following three measurement categories:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent SPPI and that are not designated as at FVPL, are measured at amortised cost.

Fair value through other comprehensive income: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI and that are not designated as at FVPL, are measured at FVOCI.

Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL.

The Group may also irrevocably designate financial assets at fair value through profit or loss if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases.

② *Equity instruments*

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; The financial assets held by the Group are equity instruments provided that the following conditions are met simultaneously:

(a) contractual obligation to pay or exchange financial assets or liabilities with other parties under potentially adverse conditions;

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial assets and financial liabilities (continued)

(2) Classification of financial assets (continued)

② Equity instruments (continued)

(b) In the future, the financial instruments must be settled with the issuer's own equity instruments. If it is a non-derivative instrument, the financial instrument should not include the contractual obligation to deliver a variable amount of its own equity instruments for settlement; if it is a derivative instrument, the issuer can only exchange a fixed amount of its own equity instrument for a fixed amount cash or other financial assets.

The Group's equity instrument investment are all classified as financial assets measured at fair value and their changes are included in profit or loss, except for management financial assets that have been irrevocably designated as measured by fair value and the changes which included in other comprehensive income. The Group's policy on the above-mentioned designation is to designate equity instrument investments that are not for the purpose of obtaining investment income to be measured at fair value and their changes are included in other comprehensive income.

For financial assets with embedded derivatives, when determining whether the contractual cash flow is only for principal and interest payments, analyze it as a whole.

(3) Classification of financial liabilities

Financial liabilities are classified as and subsequently measured at amortised cost, except:

(i) financial liabilities at FVPL: It includes financial liabilities held for trading (including derivative instruments belonging to financial liabilities) and financial liabilities designated at the initial recognition as measured at fair value and whose changes are recorded into profit and loss.

(ii) financial liabilities are recognized because the financial assets transfer does not meet the derecognition condition. When the financial assets transfer does not meet the derecognition condition, the Group recognizes financial liabilities based on the consideration received from the transfer, and recognizes all expenses incurred due to the liabilities in subsequent period;

(iii) financial guarantee contract and loan commitment.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial assets and financial liabilities (continued)

(4) Subsequent measurement of financial instruments

① *Amortised cost*

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition: (i) minus the principal repayments; (ii) plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and; (iii) for financial assets, adjusted for any loss allowance (applies only to financial assets).

The actual interest rate refers to the interest rate used to discount the estimated future cash flow of a financial asset or financial liability in the expected duration into the book balance of the financial asset or the amortized cost of the financial liability. In determining the actual interest rate, the Group will estimate the expected cash flow on the basis of taking into account all contractual terms of a financial asset or financial liability (such as prepayments, rollover, call options or other similar options, etc.), but it shall not take into account expected credit losses.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for: (i) POCI financial assets, whose interest income is calculated, since initial recognition, by applying the credit-adjusted effective interest rate to their amortised cost; and (ii) financial assets that are not POCI but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss allowance). If, in a subsequent period, the financial assets improve their qualities so that they are no longer credit-impaired and the improvement in credit quality is related objectively to a certain event occurring after the application of the above-mentioned rules, then the interest income is calculated by applying the effective interest rate to their gross carrying amount.

② *Fair value through other comprehensive income*

Debt instruments: It is classified as the gain or loss of financial assets measured at fair value and included in other comprehensive income due to its changes. Except impairment loss or gain and exchange gain, it will be included in other comprehensive income until the financial asset is terminated for recognition or reclassified. But the interest income of instrument which are calculated by effective interest rate are taken through profit or loss. When the financial asset are derecognized, the cumulative profit or loss transferred from other comprehensive income to the current profit and loss.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial assets and financial liabilities (continued)

(4) Subsequent measurement of financial instruments (continued)

② Fair value through other comprehensive income (continued)

Equity instruments:The equity instrument investments that are held for purposes other than to generate investment returns are designated as FVOCI. When this election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal. Dividends, when representing a return on such investments, continue to be recognized in profit or loss when the Group's right to receive payments is established, and it is probable that future economic benefits associated with the item will flow to the Group, and the amounts of the dividends can be measured reliably.

③ Fair value through profit or loss

Movements in the carrying amount are taken through profit or loss, except: (i) it is part of the hedging relationship specified in "China Accounting Standards for Business Enterprises No. 24-Hedging Accounting"; (ii) according to the article 68 of "China Accounting Standards for Business Enterprises No. 22-Recognition and Measurement of Financial Instruments ", the changing of fair value should be taken through other comprehensive income, which caused by changes in the Group's credit risk.When the financial liabilities are derecognized, the cumulative profit or loss transferred from other comprehensive income to the current profit and loss.

(5) Impairment of financial assets

The Group according to the basis of expected credit losses, perform impairment accounting treatment on the following financial assets and recognize loss provisions:

(i) Financial assets measured at amortized cost and debt investment measured at fair value with changes recognized in other comprehensive income;

(ii) Lease receivable;

(iii) Contract assets;

(iv) Financial guarantee contracts and loan commitment except financial liabilities measured at fair value through profit or loss.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial assets and financial liabilities (continued)

(5) Impairment of financial assets (continued)

ECL is the weighted average of credit losses with the respective risks of a default occurring as the weights. Credit loss is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

The Group combines forward-looking information to assess expected credit losses and to recognize the associated loss provisions at each balance sheet date. The measurement of expected credit losses reflects the following elements: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes; (ii) the time value of money; and (iii) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

For financial instruments whose impairment losses are measured using the ECL model, the Group assesses whether their credit risk has increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their impairment allowance and recognize their ECL, as follows:

Stage 1: The Group measures the loss allowance for a financial instrument at an amount equal to the next 12 months ECL if the credit risk of that financial instrument has not increased significantly since initial recognition.

Stage 2: The Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the credit risk of that financial instrument has increased significantly since initial recognition, but is not yet deemed to be credit-impaired.

Stage 3: The Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the financial instrument is credit-impaired.

By comparing the risk of default on the balance sheet date with the risk of default on the initial recognition date, the Group determines the relative change of the risk of default during the expected duration of the financial instrument, so as to evaluate whether the credit risk of the financial instrument has increased significantly since the initial recognition. In determining whether the credit risk has increased significantly since the initial recognition, the Group considers reasonable and evidence-based information, including forward-looking information, that can be obtained without unnecessary additional cost or effort. Information considered by the Group includes:

— The debtor fails to pay the principal and interest on the due date of the contract;

— A serious deterioration in the external or internal credit rating (if any) of a financial instrument that has occurred or is expected;

— A serious deterioration of the debtor‘s business results that has occurred or is expected;

— Changes in the existing or anticipated technical, market, economic or legal environment that would materially and adversely affect the debtor‘s ability to repay the Group.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial assets and financial liabilities (continued)

(5) Impairment of financial assets (continued)

According to the nature of financial instruments, the Group evaluates whether the credit risk increases significantly based on a single financial instrument or a combination of financial instruments. When evaluating on the basis of a portfolio of financial instruments, the Group may classify financial instruments based on common credit risk characteristics, such as overdue information and credit risk ratings. If overdue by more than 30 days, the Group determines that the credit risk of the financial instrument has significantly increased.

On the balance sheet date, the Group evaluates whether the financial assets measured at the amortized cost and the debt investment measured at the fair value and whose changes are included in other comprehensive income have incurred credit impairment. When one or more events that adversely affect the expected future cash flow of a financial asset occur, the financial asset becomes a financial asset that has experienced credit impairment. Evidence of credit impairment of a financial asset includes the following observable information:

— Major financial difficulties occur to the issuer or the debtor;

— Breach of contract by the debtor, such as default or late payment of interest or principal;

— The Group, out of economic or contractual considerations relating to the debtor's financial difficulties, gives the debtor concessions that would not be made under any other circumstances;

— The debtor is likely to go bankrupt or undergo other financial restructuring;

— Financial difficulties of the issuer or debtor lead to the disappearance of an active market for the financial asset.

An investment in a debt instrument measured at fair value and its change recorded in other comprehensive income shall recognize its loss provision in other comprehensive income and record impairment loss or gain into current profit and loss, and shall not reduce the book value of the financial asset listed in the balance sheet.

In the previous accounting period is according to the equivalent of financial instruments expectations throughout the duration of the amount of credit losses measuring the loss, but in the current balance sheet date, the financial instruments are no longer belongs to the credit risk increased significantly after initial recognition, the Group in the balance sheet date according to the current equal to the sum of the expected over the next 12 months credit loss measurement of the cost of this financial tool, the resulting loss to return amount as penalty gains recorded into the profits and losses.

For the financial assets purchased or derived from which credit impairment has occurred, the Group shall, at the balance sheet date, recognize only the accumulated changes in the expected credit losses over the entire period since the initial recognition as provisions for losses. At each balance sheet date, the Group records the changes in expected credit losses throughout the period as impairment losses or gains in the current profit and loss.

The Group's judgment criteria for increase in credit risk, the definition of credit impairment assets which have occurred, and assumptions of ECL. For details, please refer to Note X.2.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial assets and financial liabilities (continued)

(6) Derecognition of Financial Instruments

A financial asset is derecognized, when one of the following criteria is satisfied: (i) the rights to receive cash flows from the assets have expired; (ii) the Group has transferred substantially all the risks and rewards of ownership of the financial asset; (iii) the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has not retained control.

The Group has neither transferred nor retained almost all the risk and rewards and the Group has not given up control of the financial assets, the relevant financial assets shall be recognized according to the extent of their continued involvement in the transferred financial assets, and the relevant liabilities should be recognized accordingly.

If the overall transfer of financial assets meets the conditions for the termination of recognition, the balance between the book value of the transferred financial assets, the sum of the consideration received as a result of the transfer and the cumulative amount of the change in fair value originally booked into other comprehensive income shall be booked into the current profit and loss.

The transfer of a financial asset part meet the recognition criteria of termination, will be the entire book value of the transferred financial asset, between the parts and not terminate qualification recognition has been stopped, apportion them according to their relative fair value, and will be received by transfer of value and share to terminate identified previously included in the other part of the sum of the changes in fair value of the accumulative amount of comprehensive income, and apportion the carrying amount of the balance into the profits and losses of the current period.

(7) Fair value of financial instruments

If there is an active market for a financial instrument, the quoted market price in the active market is used to determine its fair value. In an active market, the financial assets that the Company has held or the financial liabilities to be assumed take the fair value of the corresponding assets or liabilities at the current bid price; The fair value of the liability. If there are no current bids and asking prices for financial assets or financial liabilities, but there has been no significant change in the economic environment after the latest trading date, the market price of the latest transaction is used to determine the fair value of the financial asset or financial liability. When the economic environment has changed significantly since the latest trading day, the current price or interest rate of similar financial assets or financial liabilities shall be referenced to adjust the market price of the latest transaction to determine the fair value of the financial asset or financial liability. The Company has sufficient evidence to show that the recently quoted market quotation is not fair value, and make appropriate adjustments to the recently traded market quotation to determine the fair value of the financial asset or financial liability.

The fair values of quoted financial assets and financial liabilities in active markets are based on current bid prices and ask prices, as appropriate. If there is no active market, the Group establishes fair value by using valuation techniques. The valuation techniques include reference to prices used in recent market transactions by parties who are familiar with the situation and voluntary transactions, refer to the current fair value of other financial assets that are substantially the same, discounted cash flow method and option pricing models.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

10. Margin trading & short selling business

Margin trading & short selling business refers to the business business, in which the Group lends funds to clients for buying securities or lends securities to them for sale and the corresponding collaterals are provided by clients. The Group's margin trading & short selling activity is divided into financing activity and securities lending activity.

As for the funds lent, the receivable claim and the corresponding interest income should be confirmed.

As for securities lending activity, the securities lent are not derecognized in accordance and the corresponding interest income is recognized.

When the Company carries out margin trading & short selling and buys and sells securities on behalf of clients, such activity is credited as securities brokerage activity.

11. Asset management business

Client transaction settlement funds are accounted separately from the Company's own funds, and a separate account is set up for accounting in "monetary funds" and other projects. The Company's client transaction settlement funds received by the Company's agent trading in securities are fully deposited in the Company's designated bank account, and Recognized as a liability and settled with the customer. The Company accepts the client's entrustment to buy and sell securities through the stock exchange agent. When clearing with the customer, if the total transaction value of the purchased securities is greater than the total transaction value of the sold securities, the difference between the transaction price of the securities purchased and sold on the liquidation date, plus withholding stamp tax and the customer The commissions and other fees charged reduce the client's transaction settlement funds; if the total transaction value of the purchased securities is less than the total transaction value of the sold securities, the difference between the transaction price of the securities purchased and sold on the liquidation date, the reduction of withholding stamp taxes and commissions that should be charged to the client, etc. Handling fees increase customer transaction settlement funds. The commission fee income of the Company acting as a proxy for the purchase and sale of securities of the client shall be recognized when the liquidation of the above-mentioned purchase and sale of securities is settled with the client. The Company settles interest uniformly with customers and increases customer transaction settlement funds.

12. Accounting method for SRA (Sale and Repurchase Agreement) and PRA (Purchase and Resale Agreement)

PRA transaction refers to the purchase of related assets (including bonds and notes) from counter-parties at a fixed price under a contract or agreement, and the resale of the same financial products at agreed prices on the expiration date of the contract or agreement. The payments actually paid for buying back of relevant assets are recorded and are listed under the item "Financial assets held under agreement" of the balance sheet.

SRA transaction refers to the sale of related assets (including bonds and notes) to counter-parties at a fixed price under a contract or agreement, and the repurchase of the same financial products at agreed prices on the expiration date of the contract or agreement. The payments actually paid for selling and repurchasing of relevant assets are recorded and are listed under the item "Financial assets sold under repurchase agreement" of the balance sheet. The financial products sold are still listed in the Group's balance sheet according to the original classification and are accounted for in accordance with the relevant accounting policies.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

12. Accounting method for SRA (Sale and Repurchase Agreement) and PRA (Purchase and Resale Agreement) (continued)

Interest income and expenses arising from PRA and SRA transactions are recognized at the effective interest rate during the buying back or selling for repurchase. If the difference between the actual interest rate and the agreed contractual interest rate is small, interest income and expenses are calculated according to the contractual interest rate.

The Company's stock-pledged repurchase business consider the credit status, the duration of contract and the liquidity of the secured securities, restricted sales, concentration, volatility, performance guarantee and other factors to set up different warning line and closing positions. The closing position is not less than 130%.

(1) Stage 1: the stock-pledged repurchase business that maintains a guarantee ratio greater than the closing position and is not overdue;

(2) Stage 2: the stock-pledged repurchase business that maintains a guarantee ratio greater than 100% and less than or equal to the closing position, or the principal and interest are overdue, less than 90 days;

(3) Stage 3:the stock-pledged repurchase business that maintains a guarantee ratio greater than 100% and less than or equal to the closing position, or the principal and interest are overdue, more than 90 days.

For the financial assets which are mentioned before in stage 1 and stage 2, the Company uses the risk parameter mode method, including key parameters such as default probability, default loss rate and credit risk exposure to evaluate the impairment reserve; for the financial assets in stage 3, the management has considered the forward looking factors and made corresponding impairment provision by estimating the future cash flow relating to the financial asset. The main factors considered by the Company in calculating the defaults loss rate are: the market value of the collateral, the liquidity and the disposal cycle, the credit status of the financier and the repayment ability, etc.

For details of "Provision for impairment of other financial assets purchased and resale agreement", please refer to Notes IV (9).

13. Long-term equity investment

Long-term equity investment of the Group includes subsidiaries, associates and joint ventures.

The Group identified a joint control, if it is jointly held according the relevant agreement and the arrangement-related business must be consented by the participants who share the control right to make decisions.

When the Group directly or indirectly owns the voting rights of an investee of more than 20% (inclusive) and less than 50%, it is generally considered to have a significant impact on the investee. When the Group hold the voting right of an investee for less than 20%, the identification of significant impact should be make based on comprehensive consideration of multiple factors: whether the Group have the right to nominate a representative in the board or similar authority of the investee; whether the Group participate in the investee's process of shaping its financial and business policy; whether there is important transactions between the Group and the investee; whether the Group has the right to accredit managers to the investee; or whether the Group provides key technical information to the investee.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

13. Long-term equity investment (continued)

The investee who gets controlled by the Group can be defined as a subsidiary. For long-term equity investment acquired through a combination under common control, the carrying amount of the acquiree's net asset in the ultimate controller's consolidated financial statement on the combination date is used as its initial investment cost. If the book value of the acquiree's net asset on the combination date is negative, the cost is determined as 0. For long-term equity investment acquired through a combination under non-common control, the fair value of the consideration paid on the purchasing date is used as the initial investment cost.

If the investment is formed the approach other than the business combination: in the case of the cash, the actual purchase price is used as the initial investment cost; in the case of the issued equity securities, the fair value of the issued equity securities is used as the initial investment costs; in the case of the long-term equity investment invested by investors, the value stipulated in the investment contract or agreement is used as the initial investment costs.

The long-term equity investment in the investee is calculated by the cost method. The long-term equity investment in associates and joint ventures is calculated by using the equity method.

Under the cost method, the book value is adjusted according to the cost of additional investment and its related transaction fees. The cash dividend or profit declared by the investee is recognized in investment income in accordance with the share of the Group.

Under the equity method, investment gain or loss represents the Group's share of the net profits or losses made by the investee for the current period. The Group will recognize its share of the investee's net profits or losses based on the fair values of the investee's individual separately identifiable assets on the date of acquisition, after making appropriate adjustments thereto in conformity with the accounting policies and accounting periods of the Group. The unrealized gain or loss from internal transactions entered into between the Group and its associated companies and joint ventures is offset according to the shareholding attributable to the Group and accounted for as investment income and loss based on such basis.

For disposal of a long-term equity investment, the difference between the carrying value and the consideration actually received is recognized as investment income for the period. For long-term investments accounted for under the equity method, the movements of shareholder's equity, other than the net profit or loss, of the investee company, previously recorded in the shareholder's equity of the Group are transferred into profit and loss on investment for the period on disposal.

Where the Group has no longer joint control or significant influence in the investee company as a result of reduction of the investment, the residual of the investment will be recognized as available-for-sale financial assets. The difference between the fair value and the book value of the residual equity in the day of losing joint control or significant impact is recognized in profit and loss for the current period. The other comprehensive income recognized for the original investment using equity method is treated on the same basis for accounting treatment with the assets or liabilities of the investee directly disposed in the period of terminate using equity method.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

13. Long-term equity investment (continued)

Where Group has no longer control but remain joint control or significant influence over the investee company as results from such as partially disposal of the investment, the investment will be changed to be accounted for using equity method. The difference between the book value of the disposed part of the equity and the consideration of disposal is recognized in the investment income, and the residual of the equity is treated as using the equity method from acquisition. Where Group remains neither joint control nor significant influence over the investee as results from such as partially disposal of the investment, the residual shares will be treated as available-for-sale financial assets. The difference between the book value of the disposed part of the equity and the consideration of disposal is recognized in the investment income. The difference between the fair value and the book value of the residual equity is recognized in the profit and loss in current period.

If the multiple transactions of disposal the investee that lead to the Group to lose control over the investee do not belong to a package transaction, each transaction shall be separately accounted. In the case of a "package deal", the transactions are treated as one transaction of disposal and losing control of a subsidiary. However, before losing control, the difference between the consideration and the book value of the disposed part of equity is recognized in other comprehensive income and it will be transferred to current profit or loss collectively after losing control.

14. Investment property

Investment property includes buildings that have been leased out.

Investment property is initially measured at its cost, which includes expenditure that is directly attributable to the acquisition of the assets. The cost of the purchased investment real estate includes the purchase price, relevant taxes and fees and other expenses directly attributable to the asset; The cost of self- construction of an investment real estate consists of the necessary expenses incurred before the construction of the asset reaches its intended serviceable state.

Subsequent to initial recognition, the Group adopts the cost model to account for its investment properties. According to its expected service life and net salvage value rate to use the average life method of depreciation or amortization.

The estimated useful lives, depreciation rate and estimated residual value rate of investment properties are as follows:

Type of assets	Estimated useful lives (years)	Estimated residual values (%)	Yearly depreciation (%)
Building	40.00	5.00	2.38

When the use purpose of investment property is changed for self-use, the investment property will be converted into fixed assets or intangible assets from the date of change. When the use purpose of self-use property is changed to earn rent or capital appreciation, the fixed assets or intangible assets will be converted into investment property from the date of change. When conversion occurs, the book value before conversion is converted into account value.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

14. Investment property (continued)

When an investment property is disposed of, or is permanently withdrawn from use and is not expected to obtain economic benefits from its disposal, the investment property shall be terminated. The amount of the disposal income of the investment property sold, transferred, scrapped or damaged shall be included in the current profits and losses after deducting the book value and relevant taxes and fees.

15. Fixed assets

Fixed assets are tangible assets held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and expected to be used during more than one accounting year with more than RMB2,000.

Fixed assets include premises used for business purposes, buildings, machinery and equipment, power equipment, transportation equipment, electronic equipment, communications equipment, electrical equipment, safety and defense equipment, and office equipment.The cost at the time of acquisition is regarded as the value recorded. Among them, the cost of outsourcing fixed assets includes the purchase price and import duties and other related taxes and fees, as well as the assets that can be directly attributed to the asset before it reaches the intended usable state. Other expenditures; the cost of self-built fixed assets is composed of the necessary expenditures incurred before the construction of the asset reaches the intended usable state; the fixed assets invested by investors shall be recorded at the value agreed in the investment contract or agreement, but if the value agreed in the contract or agreement is not fair, it shall be recorded at fair value.

If the subsequent expenditures related to fixed assets, including repair expenditures and renovation expenditures, meet the conditions for the recognition of fixed assets, they shall be included in the cost of fixed assets, and the book value of the replaced part shall be terminated. If the fixed assets fail to meet the conditions for recognition, they shall be recorded into the current profits and losses when they occur.

The Group shall make depreciation for all the fixed assets except the fixed assets which have been fully depreciated but are still in use and the land which is separately priced and recorded. Depreciation is calculated using the life average method, and according to the use of the cost of the relevant assets or current expenses.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

15. Fixed assets (continued)

The estimated useful lives, residual value proportions and the annual depreciation rates of fixed assets by categories are as follows:

Categories	Estimated useful lives (years)	Estimated residual values (%)	yearly depreciation (%)
Business buildings	40.00	5.00	2.38
Non-business buildings	35.00	5.00	2.71
Makeshift house	5.00	5.00	19.00
Structures	20.00	5.00	4.75
Machinery equipment	10.00	5.00	9.50
Power equipment	15.00	5.00	6.33
Communication equipment	5.00	5.00	19.00
Electronic equipment	5.00	5.00	19.00
Electrical equipment	5.00	5.00	19.00
Security equipment	5.00	5.00	19.00
Office facilities	5.00	5.00	19.00
Other transport facilities	8.00	5.00	11.88

At the end of each year, the Group shall review the expected serice life, expected net residual value and depreciation method of the fixed assets. If there is any change, it will be treated as accounting estimate change.

Property and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of property and equipment net of their carrying amounts and related taxes and expenses is recognised in the current profits and losses.

16. Construction in progress

Construction in progress is measured at actual cost. Self-operated construction projects are measured based on direct materials, direct wages, direct construction costs, etc.; outsourced construction projects are measured based on the project price payable, etc.; equipment installation projects are measured based on the value of the installed equipment, installation costs, project trial operation, etc. Expenses etc. determine the project cost. The cost of construction in progress also includes borrowing costs and exchange gains and losses that should be capitalized.

Depreciation will be calculated from next month.The original value difference of fixed assets shall be adjusted after completion of final settlement procedures.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

17. Borrowing costs

Borrowing costs include borrowing interest, amortization of discounts or premiums, ancillary expenses, exchange differences due to foreign currency borrowings, etc. Where the borrowing costs incurred to the Group can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, the asset disbursements have already incurred; the borrowing costs have already incurred; and the acquisition and construction or production business which are necessary to prepare the asset for its intended use or sale have already started, it is capitalized and included in the costs of relevant assets; when the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs is ceased. Other borrowing costs are recognized as expenses on the basis of the actual amount incurred, and are included in the profits or losses.

Interest expenses of special borrowings actually incurred in the current period, capitalized shall be recognized by deducting the interest income of the borrowings that have not yet been used and deposited in the bank, or the income obtained from the temporary investment. Where the general borrowing is used for the acquisition, construction or production of the assets eligible for capitalization, the amount of interest that should be capitalized shall be recognized, by multiplying weighted average of the excess capital expenditures over the special borrowings by the capitalization rate of the general borrowings appropriated. The capitalization rate is calculated according to the weighted average interest rate of general borrowing.

The assets eligible for capitalization refer to the assets such as fixed assets, investment real estate and inventory that need to go through quite a long period of time (usually more than one year) to reach the predetermined state of usable or saleable.

Where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs is suspended; the borrowing costs incurred during such period are recognized as expenses, till the acquisition and construction or production of the asset restarts.

18. Intangible assets

Intangible assets, including land-use rights, trading seats and software, etc., which are measured at cost and amortised on a straight-line basis over their estimated useful lives.

The purchased intangible assets are based on the actual price paid and other related expenses as actual costs; the actual cost of the intangible assets invested by the investor shall be determined at the value agreed in the investment contract or agreement, but if the value agreed in the contract or agreement is not fair, the actual cost shall be determined at the fair value.

The land-use right acquired is averagely amortized according to the service life of the land-use right. The trading seat fee, software and others acquired are amortized according to the shortest of the excepted service life, the benefit period which stipulated in the contract and the effective life stipulated by law. The amortized amount is included in the relevant asset cost and current profit and loss.

The estimated service life and amortization method of intangible assets with limited service life are reviewed at the end of each year, and if it changes, it is treated as a change in accounting estimates. At the end of each year, the estimated service life of intangible assets with uncertain service life is reviewed. If there is evidence that the service life of intangible assets is limited, the service life should be estimated and amortized during that period.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

19. Impairment of long-term non-financial assets

Long-term equity investments, investment property, fixed assets, construction in progress, intangible assets with limited useful lives are tested for impairment if there is any indication that the assets may be impaired at the statement of financial position date. For goodwill and intangible assets with uncertain service life, impairment tests shall be conducted at the end of each year regardless of whether there is any indication of impairment. If it is difficult to test the recoverable amount of a single asset, the test shall be based on the asset group or combination of the asset group to which the asset belongs.

If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, an allowance for impairment and an impairment loss are recognised in accordance with the difference. The provision for the aforesaid assets is recognized, it shall not be reversed in subsequent accounting periods. The recoverable amount of an asset is the higher between the net value of the fair value of the asset minus the disposal expense and the present value of the expected future cash flow of the asset.

The signs of impairment are as follows:

(1) The market price of assets has fallen sharply in the current period, and the decline is significantly higher than the expected decline due to the passage of time or normal use.

(2) There are adverse impact of the Company, because of the changing of the economic, technological, legal environment which enterprise operates and the market in.

(3) The market interest rate or other market investment return rate has increased in the current period, which affects the discount rate of the enterprise to calculate the present value of the expected future cash flow of the asset, and resulting in a substantial reduction in the asset's recoverable amount.

(4) There is evidence that the asset has become obsolete or its entity has been damaged.

(5) There is evidence that the asset has become obsolete or its entity has been damaged.

(6) The evidence in the internal report of the Company indicates that the economic performance of the asset has been lower or will be lower than expected, such as the net cash flow created by the asset or the realized operating profit (or loss) is much lower (or higher) than the expected.

(7) Other signs that assets may have been impaired.

20. Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Company's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquire at the date of acquisition.

Goodwill related to subsidiaries is listed separately in consolidated financial statements, while goodwill related to associates and joint ventures is included in the book value of long-term equity investments.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

20. Goodwill (continued)

Goodwill listed separately in the financial statements, with the impairment test once a year, whether there is any sign of impairment. During the impairment test, the book value of goodwill is allocated to the asset group or group of asset groups expected to benefit from the synergies of the business combination. If the test results indicate that the recoverable amount of the asset group or combination of asset groups containing the allocated goodwill is lower than its book value, the corresponding impairment loss is recognized. The amount of the impairment loss is offset the book value of goodwill allocated to the asset group or combination of assets group and then according to the proportional to the book value of other assets except goodwill to offset book value of other assets.

21. Long-term deferred expenses

Long- term deferred expenses of the Group are expenditures that have been incurred but shall be amortized over periods of more than one year (exclude one year). The expenditures are amortized evenly over the estimated beneficial period. If the long-term deferred expenses are no longer beneficial to the subsequent accounting periods, the unamortized balance is then transferred to profit or loss for the period.

22. Employee benefits

During the accounting period in which an employee provides services for the Group, the actual short-term employee benefits incurred shall be recognized as liabilities and included in the current profits and losses or the cost of related assets.The compensation given for the termination of the labor relationship with the employees shall be included in the current profit and loss.

Employee benefits include short-term employee benefits, post-employment benefits, termination benefits, other long-term employee benefits and Expenditures related to access to services provided by employees.

Post-employment benefits refers to various forms of remuneration and welfare provided by the Group after the employee retires or dissolves the labor relationship with the Group in order to obtain the services provided by the employee, except short-term remuneration and dismissal welfare. Post-employment benefits are divided into a defined contribution plan and a defined benefit plan. Post-employment benefits are mainly for participation in the social basic pension insurance and unemployment insurance organized by the labor and social security agencies.During the accounting period in which an employee provides services for the Group, the amount that should be paid according to the defined contribution plan shall be recognized as liabilities and included in the current profits and losses or the cost of relating assets. Defined benefit plans are after-service benefit plans other than defined contribution plans.

Termination benefits mainly includes the compensation given by the Group to terminate the labor relationship with the employee before the expiration of the employee‘s labor contract, whether the employee is willing to do so or not, and the compensation given to the employee before the expiration of the employee‘s labor contract to encourage the employee to voluntarily accept the layoff.In accordance with the provisions of the dismissal plan, the Group reasonably anticipates and recognizes the employee compensation liabilities arising from the dismissal welfare, and records them into the current profits and losses.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

22. Employee benefits (continued)

Other long-term employee benefits include long-term paid absences, long-term disability benefits, long-term profit-sharing plans, etc.

The employees of the Group participate in the enterprise annuity plan established by the Group in accordance with the relevant policies of the national enterprise annuity system on the basis of participating in the social basic pension insurance. The expenses required for the annuity shall be paid jointly by the group and the employees The Company's total contribution is 8% of the employee 's total salary for the previous year, and the employee 's individual contribution is 2% of the employee 's total salary for the previous year.

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. If the Group has formulated labor relationship cancellation plan, the Group cannot unilaterally withdraw the labor or reduction proposal. The estimated liabilities due to compensation for the termination of the labor relationship with the employee should be confirmed into the current profit and loss.

Regarding the internal retirement plan implemented by the Group, the dismissal benefit will be dealt same as termination benefit, because this part of employees no longer bring the economic benefit to the enterprise. According to the provisions of the internal retirement plan, the period from the day when the employee stops providing services to the normal retirement date, the Group's planned retirement salary and social insurance premiums, etc., are confirmed as the estimated liabilities, which are included in the current profit and loss.

23. Estimated liabilities

When the business related to external guarantee, trade acceptance bill discount, pending litigation or arbitration, product quality assurance and other contingencies meet the following conditions at the same time, the Company recognizes it as a liability: the obligation is the current obligation undertaken by the Company; the fulfillment of this obligation may lead to the outflow of economic benefits from the enterprise. The amount of the obligation can be measured reliably.

The estimated liabilities are initially measured in accordance with the best estimate of the expenditure required to perform the relevant current obligations, and factors such as risks, uncertainties and time value of money related to contingencies are considered comprehensively. If the time value of money has a significant impact, the best estimate can be determined by discounting the relevant future cash outflow. The book value of the estimated liabilities is reviewed at each balance sheet date and adjusted to reflect the current best estimate if there is any change.

24. General risk reserve and transaction risk reserve

According to "Financial Rules for Financial Enterprises" and "Notice on the 2007 Annual Report of Securities company" (SFC number [2007] No.320), the Company and its subsidiaries calculate the general risk reserve according to 10% of after-tax profit (reducing make up losses) for the year. At the same time, the Group follows the "Operational Guidelines for the Application of the "Opinions on Regulating Asset Management Business of Financial Institutions" to the Large Collection Asset Management Business of Securities Companies" (China Securities Regulatory Commission Announcement [2018] No. 39) and the "Public Offer Open-end Securities Investment Fund Liquidity Risk Management Requirements" provision for asset management business risk reserve.

The transaction risk reserve which is not less than 10% of after-tax profit (reducing make up losses) for the year.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

24. General risk reserve and transaction risk reserve (continued)

In order to reduce the repayment risk of bonds, the 14th meeting of the 4th Board of Directors and the 6th Extraordinary General Meeting of 2013 reviewed and approved to increase the ratio of discretionary surplus reserve fund and general risk reserve ratio during the duration of the bond. Surplus reserve fund is 5% of the current profit after making up losses and the general risk reserve is 11% of the net profit of making up the losses. During the remaining duration of the bond, the discretionary surplus reserve is drawn at 10% of the current net profit after making up for the loss, and the general risk reserve is drawn at 12% of the current net profit after making up for the loss.

25. Revenue

The revenue of the Group is recognized when the customer obtains the control rights of the relevant commodities (referring to the commodities or services) by performing the performance obligations of the contract. To gain control over the relevant goods means that the customer can dominate the use of the goods and get almost all the economic benefits from them.

Performance obligation means the transfer of the Group‘s commitment to the customer that clearly distinguishes between goods or services. Both express commitments in the contract and commitments that the customer reasonably expects the Group to perform at the time the contract is entered into based on the Group‘s publicly announced policies, specific statements or past practices.

The Group evaluates the contract at the beginning of the contract, identifies each individual performance obligation contained in the contract, and determines whether each individual performance obligation should be performed within a certain period of time or at a certain point. If one of the following conditions is met, the contract obligations shall be fulfilled within a certain period of time; otherwise, the performance of a contractual obligation at a certain point:

(i) The customer concurrently receives and consumes the benefits provided by the entity’s performance as the entity performs.

(ii) The customer can control the goods that are under construction during the Group‘s contract execution.

(iii) The entity’s performance does not create an asset with an alternative use and the entity has a right to payment for performance completed to date.

Where performance of a single service contract takes place over time, revenue should be recognized as performance takes place, excluding the stage of performance cannot be determined. An entity that cannot reasonably measure the outcome of a performance obligation, but expects to recover the costs incurred, should recognize revenue only to the extent of the cost until a reliable measure of progress can be made. An entity will recognize revenue at a point in time (when control transfers) for performance obligation that meet the criteria for recognition of revenue at a point in time.

The Group has transferred the goods or services to customers and has the right to receive consideration (and the right depends on factors other than the passage of time). As a contract asset, the impairment based on ECL. The right of the Group to charge the customer unconditionally (only depends on the passage of time) is listed as a receivable. The Group’s obligation to transfer the goods or services, because the Group received or get receivable from the customer’s consideration, which should be listed as contract liabilities.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

25. Revenue (continued)

The specific accounting policies relating to the Group's main business to revenue as follow:

(1) Handling fee and commission income

Revenue from the securities and futures brokerage services is recognized on the date of the transaction.

Revenue from underwriting services is recognized when the control of the underwriting services is provided to the client. The revenue is usually recognized upon completion of the offering.

The income from the asset management business of the entrusted customer, when the entrusted management contract expires and is settled with the entrusting unit, the profit or loss that should be enjoyed by the Company is calculated according to the proportion specified in the contract and recognized as the current gain or loss. If the contract stipulates that the Company charges management fees and performance compensation fees in accordance with the agreed proportions, the management fees and performance compensation gains shall be confirmed in installments.

Revenues from other businesses, including investment banking advisory and sponsoring services are recognized when the contractual obligations are fulfilled.

(2) Interest income

When the relevant income can be measured reliably and relevant economic benefits can be received, the interest income is recognized according to the time of fund utilization and the agreed interest rate. If there is no expired financial asset in the current period, interest will be accrued on the accrual basis at the end of the period and recognized as interest income for the period. If there is little difference between the actual interest rate and the contractual interest rate, the interest income shall be calculated according to the contractual interest rate.

The financial assets held under resale agreements due in the current period, the difference between the resale price and the purchase price shall be recognized as the income in the current period; If there is no maturity in the current period, the interest accrued and withdrawn at the end of the period shall be recognized as the current income according to the amortized cost and the actual interest rate; if there is a small difference between the actual interest rate and the contractual interest rate, the income shall be recognized as the current income according to the contractual interest rate.

(3) Investment income

The Group recognizes the difference between its fair value and the initial recorded amount when disposing of financial assets at fair value through profit or loss as investment income, and at the same time adjusts the profit and loss of changes in fair value. When disposing of FVOCI, the difference between the sum of the acquired price and the original value directly included in the cumulative amount of changes in the fair value of other comprehensive income and the book value of the financial asset is included in the investment income.

For long-term equity investments accounted for using the cost method, the cash dividends or profits declared by the investee are recognized as current investment income. For long-term equity investments accounted for using equity method are calculated based on the net profit realized by the investee or adjusted net profit and are confirmed the investment income.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

26. Accounting method for the client asset management business

The client asset management business is divided into directional asset management business, collective asset management business, and special asset management business. The entrusted operations of collective asset management business, single asset management business and special asset management business are all based on custody customers or collective plans, with independent accounts and independent accounting, and they are not listed in the company's financial statements.

27. Government grants

The government grants relating to assets means the government grants which are obtained by the Group for purchasing or others long-term assets. The government grants relating to revenue means the except the government grants related assets. If the grant's target is not clearly specified in the government documents, the Group will make judgments according to the above principle of distinction. If it is difficult to distinguish, the whole is classified as a government subsidy relating to income.

If the government grant is a monetary asset, it is measured according to the amount actually received. For the grant paid according to a fixed standard, or there is evidence at the end of the year that can meet the relevant conditions specified in the financial support policy and is expected to receive financial support funds, which measured according to the amount actually receivable. If the government grant is a non- monetary asset, it should be measured at its fair value. If its fair value cannot be obtained reliably, it shall be measured at its nominal amount (1 yuan).

The government grants related to the asset shall be recognized as deferred income, and the government grants related to the asset shall be recognized as deferred income and be recorded into the current profit and loss in stages within the service life of the relevant asset.

When the related assets of this are sold, transferred, scrapped or destroyed before the end of their useful lives, the related unallocated balance of deferred revenue is transferred to profit or loss in the period of disposal of the asset.

Government grants related to revenue that compensate for related costs or losses in subsequent periods are recognized as deferred revenue and recognized in current profit or loss in the period in which the related costs or losses are recognized. Government grants related to day-to-day business are included in other gains or charged against related costs, based on the substance of economic operations. Government grants not related to day-to-day business are included in non-operating income.

When the Group receives a policy preferential loan subsidy, it is distinguished between cases in which the finance disburses the subsidy funds to the lending bank and cases in which the finance disburses the subsidy funds directly to the Group, and the accounting is treated according to the following principles:

(1) If the treasury disburses the discounted funds to the lending bank, which provides the loan to the Group at the policy preferential interest rate, the Group uses the actual amount of the loan received as the recorded value of the loan and calculates the related borrowing costs based on the principal of the loan and the policy preferential interest rate (or uses the fair value of the loan as the recorded value of the loan and calculates the borrowing costs according to the effective interest rate method, the difference between the actual amount received and the fair value of the loan is recognized as deferred income. Deferred income is amortized over the life of the borrowing using the effective interest method, less related borrowing costs).

(2) The treasury disburses the discounted funds directly to the Group, and the corresponding discount is offset against the related borrowing costs.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

27. Government grants (continued)

The Group's recognized government grants that are required to be returned are accounted for in the current period in which they are required as follows:

① Where the carrying value of the underlying asset is reduced on initial recognition, the carrying value of the asset is adjusted.

② Where a related deferred gain exists, the carrying amount of the related deferred gain is reduced and the excess is recognized in profit or loss in the current period.

③ In other cases, they are recognized directly in profit or loss for the current period.

28. Deferred income tax assets and deferred income tax liabilities

Deferred income tax assets and liabilities are calculated and recognized based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred income tax asset is recognized for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. As at the statement of financial position date, deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

The Group recognizes deferred income tax assets arising from deductible temporary differences to the extent that it is probable that taxable income will be available against which the deductible temporary differences can be offset. Deferred income tax assets are written down to their carrying amount when it is probable that sufficient taxable income will not be available to offset the deferred income tax asset in a future period. The amount of the write-down is reversed when it is probable that sufficient taxable income will be obtained.

29. Leases (applicable as of 1 January 2019)

A lease is a contract in which the lessor give up the right to use the asset to the lessee for consideration for a certain period of time.

(1) As a lessee

At the beginning of the lease term, the Group recognizes a right-of-use asset and lease liability for the lease. The Group uses the straight-line method of depreciation for right-of-use assets. At the balance sheet date, the Group assesses whether the right-of-use assets are impaired and accounts for the identified impairment losses.

The lease liability is initially measured at the present value of the lease payments outstanding at the beginning of the lease term. The Group calculates interest expense on the lease liability at a fixed periodic rate (i.e., discount rate) for each period of the lease term and recognizes it in current profit or loss or the cost of the asset.

The Group has decided not to recognize right-of-use assets and lease liabilities for short-term leases (leases with lease terms of up to 12 months) and low-value asset leases. And the Group has charged the related lease payments to current profit or loss or the related cost of the asset on a straight-line basis over the various periods of the lease term.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

29. Leases (applicable as of 1 January 2019) (continued)

(2) As a lessor

Leased assets under operating leases are recognized as rental income by a straight-line basis.

30. Income tax

The balance sheet liability method is used for income tax accounting. Income tax expense includes current income taxes and deferred income taxes. Current income tax and deferred income tax expense or gains are recognized in profit or loss except for current income tax and deferred income tax relating to transactions and events that are directly attributable to shareholders' equity and the carrying value of deferred income tax-adjusted goodwill arising from business combinations.

Current income tax is the amount due to the tax authorities for transactions and events occurring in the current period, as determined by the enterprise in accordance with tax regulations; deferred income tax is the difference between the amount of deferred income tax assets and deferred income tax liabilities that should be recognized under the balance sheet liability method at the end of the period relative to the amount originally recognized.

31. Segment information

The Group determines its operating segments based on its internal organizational structure, management requirements, and internal reporting system, while the report segment is determined based on the operating segment. An operating segment is a component of the Group that meets the following conditions simultaneously: the component is able to generate income and incur expenses in its day-to-day business; the Group's management is able to periodically evaluate the operating results of the component in order to decide on the allocation of resources to it and evaluate its performance; the Group has access to accounting information on the financial position, operating results and cash flows of the component, with inter-segment transfer prices determined by reference to market prices.

32. Hold for sale and terminate operations

(1) Held-for sale assets

The Group classifies a non-current asset or disposal group as held for sale when it recovers its book value primarily through the sale, rather than ongoing use.

A disposal group is a group of assets that are disposed of as a whole in a transaction, whether by sale or otherwise, and liabilities directly related to those assets that are transferred in that transaction.

The Group divides non-current assets or disposal groups that meet the following conditions into categories held for sale:

① The non-current asset or disposal group is immediately available for sale in its current condition, in accordance with the practice of selling such assets or disposal groups in similar transactions.

② A sale is extremely likely to occur where the Company has resolved on a plan of sale and has entered into legally binding purchase agreements with other parties. The sale is expected to be completed within a year.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

32. Hold for sale and terminate operations (continued)

(1) Held-for sale assets (continued)

The Group according to the book value and the fair value minus the net after sale cost of residency is to hold non-current assets for sale (not including financial assets and deferred income tax assets) or to the disposition of the group to carry on the initial measurement and subsequent measurement, book value is higher than the fair value minus the difference between the net selling expenses after confirmation for asset impairment loss, included in the current profits and losses.

(2) Terminate operations

The Group will discontinue operations as defined by a separately distinguishable component that meets one of the following conditions and that has been disposed of or classified as holding for sale by the Group:

① The component represents a separate principal operation or a separate principal area of operation.

② The component is part of an associated plan to dispose of a separate principal operation or a separate principal area of operation.

③ This component is a subsidiary acquired specifically for resale.

For terminate operations reported in the current period, and reported in the profit and loss from continuing operations and the profit or loss from discontinued operations separately in the current period's income statement. At the same time, in the income statement of the comparative period, the information previously reported as continuing operation profits and losses is restated as the discontinued operation profits and losses of the comparable accounting period.

33. Significant accounting judgments and estimates

During the preparation of the Group's financial statements, management will make judgments, estimates and assumptions about the impact of future uncertainties on revenue, expenses, assets and liabilities, and disclosure of contingent liabilities. The reality may differ from these estimates. Management continuously evaluates the judgment of the key assumptions and uncertainties involved in the estimation. The impact of a change in accounting estimates is recognized during the change period and in future periods.

The following accounting estimates and key assumptions carry a significant risk of causing significant adjustments to the carrying values of assets and liabilities in future periods.

(1) Provision for impairment of financial assets

The Group recognizes a provision for impairment on the basis of ECL on FVPL, FOCI, financing operations (including margin trading and short selling, agreed repurchase, stock-pledged repurchase, etc.), and currency market disposals (loans) of funds or securities, receivable, etc.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

33. Significant accounting judgments and estimates (continued)

(1) Provision for impairment of financial assets (continued)

Based on the classification and nature of the above financial assets, combined with its own risk management practices and the relevant requirements of the impairment guidelines, the Group establishes an expected credit loss model to measure impairment losses on the above financial instruments based on a probability-weighted average, taking into account the time value of money and reasonable and informed information about past events, current conditions and projected future economic conditions that can be obtained at the balance sheet date without unnecessary additional costs or effort. The assumptions, parameters, data sources and measurement procedures associated with the expected credit loss model require the Group's professional judgment, and changes in the assumptions of these relevant factors can affect the results of the expected credit loss calculations for financial instruments.

The Group uses an expected credit loss model to evaluate the impairment of financial assets and the application of the expected credit loss model requires making significant judgments and estimates such as the probability of default, the rate of default losses and whether credit risk increases significantly, taking into account all reasonable and reliable information, including forward-looking information. In making these judgments and estimates, the Group extrapolates expected changes in the debtor's credit risk based on historical repayment data combined with economic policies, macroeconomic indicators, industry risk and other factors.

The Group's criteria for determining significant increases in credit risk, the definition of an incurred credit impairment asset, and assumptions regarding the measurement of ECL. For details, please refer to Notes X.(2) of this report.

(2) Impairment of goodwill

The goodwill are tested at least annually for impairment. The recoverable amount of the asset group and asset group combination that includes goodwill is the present value of its expected future cash flow, and its calculation requires the use of accounting estimates.

If management revises the gross profit margin used in the calculation of future cash flows of asset groups and asset group combinations, and the revised gross profit margin is lower than the currently used gross profit margin, enterprise needs to make provision for impairment of goodwill.

If management revises the pre-tax discount rate used for discounting cash flows, and the revised pre-tax discount rate is higher than the currently used discount rate, the Company needs to accrue impairment provisions for goodwill.

If the actual gross profit margin or pre-tax discount rate is higher or lower than the management's estimate, the Group cannot reverse the impairment loss for goodwill that has been accrued.

(3) Deferred income tax assets

The estimation of deferred income tax assets needs to estimate the taxable income and applicable tax rates in the future years. The realization of deferred income tax assets depends on whether the Group is likely to obtain sufficient taxable income in the future. Future changes in tax rates and the reversal time of temporary differences may also affect income tax expenses (income) and the balance of deferred income tax. Changes in the above estimates may result in important adjustments to deferred income tax.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

33. Significant accounting judgments and estimates (continued)

(4) Useful life of intangible assets and property and equipment

At least once a year, the Group reviews the estimated useful life of fixed assets and intangible assets. The estimated service life is determined by the management based on the historical experience of similar assets, with reference to the commonly used estimates in the same industry, combined with the expected technical updates. When the previous estimates have changed significantly, the depreciation expenses and amortization expenses in the future period shall be adjusted accordingly.

(5) Consolidation of structured entities

Management needs to make important judgments on whether to control and merge structured entities, confirming whether it will affect accounting methods and the financial situation and operating results of the Group. In assessing control, the Group needs to consider: 1) the power of the investor to the investee; 2) the variable return enjoyed by the investee in the relevant business; and 3) the ability to use the power of the investee to influence the amount of its return. If one or more of the three control elements mentioned above change, the Group will reassess whether control still exists.

For structured entities (such as funds and asset management plans) managed by the Group, the Group will assess whether its maximum exposure to the structured entities, together with the variable returns generated by its administrator's compensation, is significant enough to indicate that the Group has control over the structured entities. If the Group has control over the structured entity under management, the structured entity will be included in the consolidated scope of the consolidated financial statements. For structured subject shares held by parties other than the Group, as the issuer has a contractual obligation to buy back its offering shares in cash, the Group recognizes them as financial liabilities or payable measured at fair value and recorded in current profit and loss.

34. Significant changes in accounting policies and accounting estimates

(1) Significant changes in accounting policies

The Group does not have any change in accounting policies for the period ended.

(2) Significant changes in accounting estimates

The Group does not have any change in accounting estimates for the period ended.

V. TAXATION

Taxes	Tax bases	Tax rates
Income tax	Taxable income	16.5%、25%
Value-added tax (VAT)	The taxable revenue from sales of goods or rendering of services	3%~16%
Urban maintenance and construction taxes	Turnover tax payable	1%、5%、7%
Educational surcharge	Turnover tax payable	3%
Local education surcharge	Turnover tax payable	2%

(1) Income tax

In accordance with the provisions of the “Enterprise Income Tax Law of the People‘s Republic of China” and the “Announcement of the State Administration of Taxation on Printing and Distributing the “Measures for the Administration of the Collection of Corporate Income Tax Collection for Cross-Regional Operations”“(State Administration of Taxation Announcement No. 57 of 2012), the Company implements the corporate income tax collection and management measures of “unified calculation, hierarchical management, on-site prepayment, consolidated liquidation, and fiscal adjustment”.

According to the “Enterprise Income Tax Law of the People‘s Republic of China”, since 1 January, 2008, the company will apply a 25% corporate income tax rate; CCIFHC and its subsidiaries in Hong Kong are applicable to the comprehensive profits tax rate of 16.5% in accordance with the relevant regulations of the Hong Kong Special Administrative Region.

(2) Value-added tax (VAT)

According to Notice on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner (Cai Shui [2016] No. 36) the Company‘s principal business income has been subject to VAT, with a tax rate of 6% since 1 May, 2016.

In accordance with the “Circular regarding the Value-added Taxes Policies for Financial, Real Estate Development and Education Ancillary and Other Services” (Cai Shui [2016] No.140), the “Supplementary Circular regarding Issues concerning Value-added Taxes Policies for Asset Management Products” (Cai Shui [2017] No.2) and the “Circular on the Relevant Issues concerning Value-added Tax Levied on Asset Management Products” (Cai Shui [2017] No.56), the Group shall pay VAT at rate of 3% for related asset management taxable business undertaken after 1 January, 2018.

In accordance with the “Notice on adjustment of VAT rate” (Cai Shui [2018] NO.32), if the taxpayer has a VAT taxable sales activity or imported good, the taxpayer shall pay VAT at 16% and 10% after 1 May, 2018.

In accordance with the “Announcement on policies to deepen VAT reform” (Gong Gao 2019 No.39) if the taxpayer has a VAT taxable sales activity or imported good, the taxpayer shall pay VAT at 13% and 9% after 1 April, 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

(1) Details

Item	31 December 2020			31 December 2019		
	Amount of original currency	Exchange rate	RMB amount	Amount of original currency	Exchange rate	RMB amount
Cash on hand			185,324.40			249,129.05
RMB	111,968.17	1.0000	111,968.17	194,324.35	1.0000	194,324.35
HKD	82,535.06	0.8416	69,464.81	56,652.15	0.8958	50,747.86
CAD	760.00	5.1203	3,891.42	759.41	5.3421	4,056.84
Deposits in bank			10,941,803,014.08			9,321,697,310.89
deposit account			2,748,120,459.32			2,740,135,500.49
RMB	2,494,458,896.71	1.0000	2,494,458,896.71	2,295,083,952.56	1.0000	2,295,083,952.56
USD	20,547,255.32	6.5249	134,066,949.25	10,528,961.28	6.9762	73,452,139.68
HKD	141,461,731.71	0.8416	119,059,851.88	414,398,428.88	0.8958	371,209,824.53
AUD	47,229.09	5.0290	237,513.15	50,320.16	4.5787	230,400.92
EUR	29,609.31	8.0033	236,973.12	20,367.55	7.8155	159,182.59
CAD	0.04	5.1203	0.20	0.04	5.3421	0.21
THB	228,937.98	0.2174	49,779.75			
JPY	165,957.00	0.0632	10,495.26			
Client fund deposit			8,193,682,554.76			6,581,561,810.40
RMB	8,104,738,687.41	1.0000	8,104,738,687.41	6,497,262,589.77	1.0000	6,497,262,589.77
USD	4,610,580.22	6.5249	30,083,211.61	4,211,999.02	6.9762	29,383,747.56
HKD	67,293,174.96	0.8416	56,636,640.55	60,921,231.85	0.8958	54,572,021.16
EUR	276,838.87	8.0033	2,215,633.25	43,944.97	7.8155	343,451.91
JPY	132,540.00	0.0632	8,381.94			
Other cash and bank balances			9,142,683.42			9,802,121.58
RMB	9,142,683.42	1.0000	9,142,683.42	9,802,121.58	1.0000	9,802,121.58
Total			10,951,131,021.90			9,331,748,561.52

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. Cash and bank balances (continued)

(1) Details (continued)

In which, details of margin trading business are shown in the table below:

Item	31 December 2020			31 December 2019		
	Amount of original currency	Exchange rate	RMB amount	Amount of original currency	Exchange rate	RMB amount
Corporate credit capital			70,219,206.05			47,834,623.14
RMB	2,379,906.55	1.0000	2,379,906.55	4,259,757.15	1.0000	4,259,757.15
HKD	80,603,701.70	0.8416	67,839,299.50	20,858,191.06	0.8958	18,684,350.39
USD				3,520,846.45	6.9762	24,562,129.00
EUR				42,017.35	7.8155	328,386.60
Client credit capital			582,961,261.74			476,131,648.81
RMB	528,880,625.85	1.0000	528,880,625.85	440,740,722.05	1.0000	440,740,722.05
USD	1,333,044.66	6.5249	8,697,857.34	25,551.58	6.9762	178,252.93
HKD	53,921,841.34	0.8416	45,382,778.55	39,309,511.07	0.8958	35,212,673.83
Total			653,180,467.79			523,966,271.95

(2) As of 31 December, 2020 ,the Company's cash which deposited overseas were RMB333,609,866.86, and mainly due to deposits made by Hong Kong subsidiaries.

(3) Cash and bank balances with restricted realization

Deposit bank	Bank account	For the year ended 2020	Reason for restriction
Bank of China Limited Henan Branch Business Department	262469587289	12,955,424.86	Risk reserve account for asset management business
Bank of China Limited Henan Branch Business Department	262469586944		Risk reserve account for asset management business

As of 31 December 2020, the Group has a restricted bank deposits totaling RMB12,955,424.86, mainly due to the Company to carry out asset management business and risk reserves deposited in banks.

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Clearing settlement funds

Item	31 December 2020			31 December 2019		
	Amount of original currency	Exchange rate	RMB amount	Amount of original currency	Exchange rate	RMB amount
Corporate reserve funds			91,228,910.05			170,907,131.02
RMB	82,146,097.14	1.0000	82,146,097.14	170,907,131.02	1.0000	170,907,131.02
HKD	10,234,072.57	0.8416	8,613,404.83			
USD	46,444.53	6.5249	303,041.53			
EUR	20,000.00	8.0033	160,066.63			
JPY	94,922.00	0.0632	6,002.95			
MYR	98.31	1.6185	159.11			
GBP	15.48	8.9057	137.86			
Client's ordinary reserve funds			1,975,873,287.75			2,184,595,530.37
RMB	1,972,225,042.98	1.0000	1,972,225,042.98	2,176,489,870.41	1.0000	2,176,489,870.41
USD	514,990.08	6.5249	3,360,258.77	968,157.31	6.9762	6,754,059.03
HKD	342,172.42	0.8416	287,986.00	1,508,853.66	0.8958	1,351,600.93
Client's credit reserve funds			311,997,890.20			162,546,854.45
RMB	311,997,890.20	1.0000	311,997,890.20	162,546,854.45	1.0000	162,546,854.45
Total			2,379,100,088.00			2,518,049,515.84

3. Margin accounts receivable

(1) By categories

Item	31 December 2020	31 December 2019
Within borders		
Individual client	7,161,431,516.25	5,634,401,621.21
Institutional client	109,194,134.07	244,875,805.15
Less: provision for impairment	21,728,570.93	15,281,693.50
Subtotal	7,248,897,079.39	5,863,995,732.86
Overseas		
Individual client	157,193,911.35	186,388,556.91
Institutional client	48,511,514.39	66,070,903.40
Less: provision for impairment	53,845,391.75	55,714,996.61
Subtotal	151,860,033.99	196,744,463.70
Total	7,400,757,113.38	6,060,740,196.56

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Margin accounts receivable (continued)

(1) By categories (continued)

On 31 December 2019, the Company conducted a pledge-type repurchase of the right of income proceeds of RMB1,152,922,141.97 in the above margin trading and short selling business (refer to Note VI, 26). This business has ended in 2020.

(2) Details of collateral

Collateral type	31 December 2020	31 December 2019
Cash	732,150,639.06	712,533,596.87
Bonds	34,564,682.12	32,515,067.85
Stocks	22,251,473,685.92	17,413,349,206.33
Funds	94,132,329.50	92,631,047.75
Total	23,112,321,336.60	18,251,028,918.80

4. Derivative financial assets and liabilities

(1) 31 December, 2020

	Hedging instruments			Non-hedging instruments		
		Fair value			Fair value	
Item	Contractual value	Asset	Liability	Contractual value	Asset	Liability
Commodity futures	85,586,810.00		3,717,100.00	227,988,540.00	255,505.00	
Less: Offsetting with temporary receipts and payments			3,717,100.00		255,505.00	
Interest rate swaps				37,580,000,000.00	10,220,124.13	
Less: Offsetting with temporary receipts and payments					10,220,124.13	
National debt futures				2,608,688,300.00	404,482.44	
Less: Offsetting with temporary receipts and payments					404,482.44	
Stock options				5,329,975.80		57,980.91
Total	85,586,810.00			40,422,006,815.80		57,980.91

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Derivative financial assets and liabilities (continued)

(2) 31 December, 2019

Item	Hedging instruments Contractual value	Hedging instruments Fair value Asset	Hedging instruments Fair value Liability	Non-hedging instruments Contractual value	Non-hedging instruments Fair value Asset	Non-hedging instruments Fair value Liability
Commodity futures				152,923,405.00	1,728,975.00	
Less: Offsetting with temporary receipts and payments					1,663,900.00	
National debt futures				1,234,738,750.00	577,393.51	
Less: Offsetting with temporary receipts and payments					577,393.51	
Commodity options				948,820.00	53,190.00	83,740.00
Forwards				253,887,517.81	11,265,850.93	
Total				1,642,498,492.81	11,384,115.93	83,740.00

Under the non-debt settlement system on the current day, settlement reserve fund includes the company's holdings of commodity futures, interest rate swaps and government bond futures held by the company on 31 December, 2020 and 31 December, 2019. Derivative instruments such as commodity futures, interest rate swap, national debt futures under derivative financial assets/liability are listed as the net amount of RMB after offsetting with temporary receipts and payments (position profit and loss from settlement).

5. Refundable deposits

Item	31 December 2020 Amount of original currency	31 December 2020 Exchange rate	31 December 2020 RMB amount	31 December 2019 Amount of original currency	31 December 2019 Exchange rate	31 December 2019 RMB amount
Trading margin			539,543,098.45			385,892,047.09
RMB	538,665,535.45	1.0000	538,665,535.45	381,395,763.06	1.0000	381,395,763.06
HKD	500,000.00	0.8416	420,820.00	4,099,055.64	0.8958	3,671,852.00
USD	70,000.00	6.5249	456,743.00	115,651.44	6.9762	806,807.58
EUR				16.41	7.8155	128.25
JPY				273,011.27	0.0641	17,496.20
Credit margin			10,618,496.40			7,010,153.46
RMB	10,618,496.40	1.0000	10,618,496.40	7,010,153.46	1.0000	7,010,153.46
Performance bonds			194,717,152.84			2,267,535.40
RMB	194,717,152.84	1.0000	194,717,152.84	2,267,535.40	1.0000	2,267,535.40
Total			744,878,747.69			395,169,735.95

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Accounts receivable

(1) By categories

Item	31 December 2020	31 December 2019
Stock-pledged repurchase receivable	309,607,600.00	
Bond interest receivable	54,079,800.00	45,528,000.00
Settlement receivable	43,148,113.18	15,315,160.75
Asset management fee receivable	33,462,467.93	57,249,098.30
Fees and commission receivable	45,840,692.93	35,813,072.18
Margin trading &short selling payment receivable	7,963,368.74	9,177,327.68
Others	1,004,903.94	4,419,075.69
Less: Provision for bad debts (According to the simplified model)	325,783,423.38	13,589,432.23
Book value of accounts receivable	169,323,523.34	153,912,302.37

Based on the result of court enforcement after the stock-pledged mortgage financing breached the contract, the Company transferred the unpaid repayment part to the receivable budget. As of 31 December, 2020, the balance of the stock-pledged repurchase receivable is RMB309,607,600.00, and the bad debt provision has been fully accrued.

(2) By evaluation methods

Item	31 December 2020			
	Book value of accounts receivable		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Single provision for bad debts	366,183,152.30	73.96	321,256,743.62	87.73
Subtotal	366,183,152.30	73.96	321,256,743.62	
Combination provision for bad debts				
within 1 year	93,972,049.47	18.98	469,858.78	0.50
1–2 years	15,534,859.80	3.14	776,742.99	5.00
2–3 years	11,655,642.06	2.35	1,165,564.20	10.00
3–4 years	2,139,391.38	0.43	427,878.28	20.00
4–5 years	5,621,451.71	1.14	1,686,435.51	30.00
more than 5 years	400.00		200.00	50.00
Subtotal	128,923,794.42	26.04	4,526,679.76	
Total	495,106,946.72	100.00	325,783,423.38	

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Accounts receivable (continued)

(2) By evaluation methods (continued)

Item	31 December 2019			
	Book value of accounts receivable		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Single provision for bad debts	25,822,823.17	15.42	10,034,816.67	38.86
Subtotal	25,822,823.17	15.42	10,034,816.67	
Combination provision for bad debts				
within 1 year	105,040,653.25	62.70	525,203.26	0.50
1–2 years	26,090,887.21	15.58	1,304,544.36	5.00
2–3 years	3,846,577.64	2.30	384,657.76	10.00
3–4 years	6,700,278.16	4.00	1,340,055.63	20.00
4–5 years	515.17		154.55	30.00
Subtotal	141,678,911.43	84.58	3,554,615.56	
Total	167,501,734.60	100.00	13,589,432.23	

(3) Among the balance of accounts receivable at the end of the year, the amount receivable from shareholder units holding more than 5% (including 5%) of the voting shares of the Company was RMB1,309,786.65.

7. Financial assets held under resale agreement

(1) By business

Item	31 December 2020	31 December 2019
Agreed repurchase securities	9,847,902.11	12,829,661.10
Stock-pledged repurchase	1,707,498,529.86	2,035,425,405.12
Bonds outright repurchase	40,292,940.00	1,164,604,789.02
Bond-pledged repurchase	565,267,829.32	214,517,707.39
Less: provision for asset impairment	266,942,311.46	403,489,034.92
Total	2,055,964,889.83	3,023,888,527.71

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Financial assets held under resale agreement (continued)

(2) By subjects

Item	31 December 2020	31 December 2019
Stocks	1,717,346,431.97	2,048,255,066.22
Bonds	605,560,769.32	1,379,122,496.41
Less: provision for asset impairment	266,942,311.46	403,489,034.92
Book Value	2,055,964,889.83	3,023,888,527.71

(3) Details of collateral

Collateral type	Fair value on 31 December 2020	Fair value on 31 December 2019
Stocks	2,792,479,921.43	2,914,932,993.06
Bonds	736,501,927.71	1,380,791,342.00
Total	3,528,981,849.14	4,295,724,335.06
Include: Collateral that can be sold or re-collateralized	40,542,360.00	1,163,992,480.00
Collateral that has been sold or has been pledged again	40,542,360.00	966,923,000.00

(4) By residual maturity (margin account receivable acquired through stock-pledged repurchase)

Remaining period	31 December 2020	31 December 2019
Within 1 month	10,002,274.03	
1–3 months		153,632,876.69
3 months–1 year	735,430,249.94	450,806,989.83
More than 1 year	50,267,123.29	13,222,856.95
Past due	911,798,882.60	1,417,762,681.65
Total	1,707,498,529.86	2,035,425,405.12

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Financial assets held under resale agreement (continued)

(5) Stock-pledged repurchase by stage of impairment

Item	31 December 2020			
	Expected credit losses in the next 12 months	No credit impairment	Credit impairment	Total
Book balance	795,699,647.26		911,798,882.60	1,707,498,529.86
Impairment allowance	1,363,745.09		265,570,503.11	266,934,248.20
Book value	794,335,902.17		646,228,379.49	1,440,564,281.66
The value of Collateral	2,099,499,467.60		668,709,113.83	2,768,208,581.43

Item	31 December 2019			
	Expected credit losses in the next 12 months	No credit impairment	Credit impairment	Total
Book balance	617,662,723.47	150,000,000.00	1,267,762,681.65	2,035,425,405.12
Impairment allowance	987,204.26	541,515.64	401,952,176.28	403,480,896.18
Book value	616,675,519.21	149,458,484.36	865,810,505.37	1,631,944,508.94
The value of Collateral	1,688,168,350.68	164,160,000.00	1,021,073,955.18	2,873,402,305.86

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Financial assets at fair value through profit or loss

(1) By categories

Item	31 December 2020					
	Fair value			Initial cost		
	Classified into FVTPL	Designated as FVTPL	Total	Classified into FVTPL	Designated as FVTPL	Total
Bonds	19,006,086,088.17		19,006,086,088.17	18,963,514,100.97		18,963,514,100.97
Public Offering of Fund	989,026,998.94		989,026,998.94	981,237,072.37		981,237,072.37
Stocks	1,269,140,125.07		1,269,140,125.07	1,428,922,123.23		1,428,922,123.23
Financial products	120,306,652.05		120,306,652.05	120,000,000.00		120,000,000.00
Asset management products	10,319,370.53		10,319,370.53	10,901,958.05		10,901,958.05
Private equity and partnerships	745,313,668.07		745,313,668.07	716,092,794.00		716,092,794.00
Others	452,379,595.94		452,379,595.94	430,000,000.00		430,000,000.00
Total	22,592,572,498.77		22,592,572,498.77	22,650,668,048.62		22,650,668,048.62

Item	31 December 2019					
	Fair value			Initial cost		
	Classified into FVTPL	Designated as FVTPL	Total	Classified into FVTPL	Designated as FVTPL	Total
Bonds	13,810,266,165.45		13,810,266,165.45	13,729,609,266.85		13,729,609,266.85
Public Offering of Fund	792,478,949.57		792,478,949.57	789,646,056.89		789,646,056.89
Stocks	1,448,376,173.97		1,448,376,173.97	1,512,863,535.94		1,512,863,535.94
Financial products	163,533,291.76		163,533,291.76	161,000,000.00		161,000,000.00
Asset management products	17,062,550.00		17,062,550.00	20,900,000.00		20,900,000.00
Private equity and partnerships	898,601,516.01		898,601,516.01	1,021,560,520.40		1,021,560,520.40
Others	96,700,000.00		96,700,000.00	100,000,000.00		100,000,000.00
Total	17,227,018,646.76		17,227,018,646.76	17,335,579,380.08		17,335,579,380.08

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Financial assets at fair value through profit or loss (continued)

(2) Securities lending in financial assets at fair value through profit or loss

As of 31 December, 2020 and 31 December, 2019, the balance of the Group's financial assets at fair value through profit or loss included RMB6,015,764.80 and RMB5,410,131.09 in securities financing, respectively.

(3) Financial assets at fair value through profit or loss with restricted realization

Item	Reasons for restriction	Book value on 31 December 2020	Book value at the beginning of the year
Bonds	Outright sale or pledge for repurchase financing	11,241,083,913.94	6,276,173,261.05
Bonds	Pledged for bond lending	1,981,780,898.06	952,842,604.73
Bonds	Freeze due to resale declaration period	193,466,175.35	
Public offered funds	Financing out securities	6,015,764.80	5,410,131.09
Stocks	Restricted by share reduction	220,030,319.58	
Stocks	Restrictions on bulk trading	18,849,600.00	16,940,000.00
Financial product	Pledge for short-term borrowing		51,926,438.36

9. Financial assets measured at amortized costs

(1) Details

Item	31 December 2020			
	Initial cost	Interest	Impairment allowance	Book value
Trust plans	217,242,739.75	4,725,086.10	2,432,928.65	219,534,897.20
Private placement bonds	147,537,686.71		106,414,092.02	41,123,594.69
Assets management plan	244,388,050.00		48,877,610.00	195,510,440.00
Total	609,168,476.46	4,725,086.10	157,724,630.67	456,168,931.89

Item	31 December 2019			
	Initial cost	Interest	Impairment allowance	Book value
Trust plans	413,351,533.53	2,879,308.14	2,182,385.91	414,048,455.76
Private placement bonds	155,098,508.88	1,791,560.00	90,059,105.35	66,830,963.53
Assets management plan	244,388,050.00		48,877,610.00	195,510,440.00
Total	812,838,092.41	4,670,868.14	141,119,101.26	676,389,859.29

Asset management plan include "Zhong Jing No.1" and "Lian Meng No.17", for details refer VI. 35.

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Financial assets measured at amortized costs (continued)

(2) Financial assets measured at amortized costs-ECL

Item	Stage 1 Expected credit losses in the next 12 months	Stage 2 Expected credit losses in lifetime	Stage3 Expected credit losses in lifetime (Credit impairment)	Total
1 January 2020	709,880.59		140,409,220.67	141,119,101.26
Book value	—	—	—	—
— transfer to stage 2				
— transfer to stage 3				
— transfer back to stage 2				
— transfer back to stage 1				
Current period			22,162,607.50	22,162,607.50
Transfer back	-686,838.78			-686,838.78
Write off				
Difference from foreign currency translation			-4,870,239.31	-4,870,239.31
31 December 2020	23,041.81		157,701,588.86	157,724,630.67

10. Financial assets at fair value through other comprehensive income

(1) By categories

Item	31 December 2020				
	Initial cost	Interest	Changes in fair value	Book value	Accumulated impairment of allowance
National debt	340,391,503.36	5,862,227.41	91,496.64	346,345,227.41	
Local government debt	506,205,995.05	7,092,082.20	2,894,304.95	516,192,382.20	294,239.63
Corporate debt	690,041,226.48	17,829,856.74	-73,300,586.48	634,570,496.74	70,379,414.90
Others	581,303,404.07	12,904,493.15	-2,510,854.50	591,697,042.72	301,305.30
Total	2,117,942,128.96	43,688,659.50	-72,825,639.39	2,088,805,149.07	70,974,959.83

Item	31 December 2019				
	Initial cost	Interest	Changes in fair value	Book value	Accumulated impairment of allowance
Government debt	250,038,528.94	4,451,328.78	540,798.21	255,030,655.93	
Corporate debt	390,000,000.00	13,158,460.55	6,506,230.00	409,664,690.55	200,655.09
Total	640,038,528.94	17,609,789.33	7,047,028.21	664,695,346.48	200,655.09

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Financial assets at fair value through other comprehensive income (continued)

(2) Financial assets at fair value through other comprehensive income-ECL

Item	Stage 1	Stage 2	Stage3	Total
	Expected credit losses in the next 12 months	Expected credit losses in lifetime	Expected credit losses in lifetime (Credit impairment)	
1 January 2020	200,655.09			200,655.09
Book value	—	—	—	—
— transfer to stage 2				
— transfer to stage 3				
— transfer back to stage 2				
— transfer back to stage 1				
Current period	1,065,904.74		69,708,400.00	70,774,304.74
Transfer back				
Write off				
31 December 2020	1,266,559.83		69,708,400.00	70,974,959.83

(3) financial assets at fair value through other comprehensive income with restricted realization

Item	Reasons for restriction	Book value on 31 December 2020	Book value at the beginning of the year
Corporate debt	Pledged for bond lending	30,822,180.41	105,446,965.57
Corporate debt	pledge for repurchase financing	132,078,473.98	304,217,724.98
Local government debt	pledge for repurchase financing	516,192,382.20	
National debt	Pledge for refinancing operations	295,212,638.37	

11. Long-term equity investments

(1) By categories

Item	31 December 2020	31 December 2019
Long-term equity investment based on equity method	1,097,430,290.95	1,133,435,870.73
Total	1,097,430,290.95	1,133,435,870.73
Less: Impairment loss	30,154,117.51	28,714,472.06
Net long-term equity investment	1,067,276,173.44	1,104,721,398.67

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Long-term equity investments (continued)

(2) Investment in associated enterprises

		Increase/Decrease									
Investee	Opening balance	Additional Investment	Reducing investment	Investment gains and losses recognized under the equity method	Other comprehensive income adjustment	Other changes in equity	Declare cash dividends or profits	Provision for impairment	others	Closing balance	Impairment provision year-end balance
Henan Huatai Grain and Oil Machinery Co., Ltd.	5,579,735.71			361,533.05						5,941,268.76	
Henan Zhongping Financing Guarantee Co., Ltd.	52,200,889.90			1,384,830.59						53,585,720.49	
Henan Longfengshan Agriculture and Animal Husbandry Co., Ltd.	17,519,254.85			3,061,536.15						20,580,791.00	
Zhengzhou Nongtao E-commerce Co., Ltd.	1,274,705.60									1,274,705.60	12,204,617.53
CSI Jiaotong Fund Management Co., Ltd.	19,835,305.24			424,225.41						20,259,530.65	
Henan Investment Realistic Communication Co., Ltd.	992,080.16			–49,454.25						942,625.91	
Henan Shengtong Juyuan Venture Capital Fund (Limited Partnership)	80,998,741.81			–4,770,730.38		1,009,624.42				77,237,635.85	
Xiping Zhongding Brilliant Zhiyuan Investment Center (Limited Partnership)	3,812,049.50		3,745,251.58	–66,797.92							
Puyang Chuangying Industrial Investment Fund Co., Ltd.	1,992,281.38			–182,340.75						1,809,940.63	
Shangcai Zhongding Industrial Development Investment Fund (Limited Partnership)	2,468,612.19			–43,496.95						2,425,115.24	
Xinxiang Zhongding Technology Achievement Transformation Fund (Limited Partnership)	19,943,316.40			167,704.29						20,111,020.69	
Luoyang Guohong CSI Industry Development Investment Fund (Limited Partnership)	12,318,282.64			–389,366.39						11,928,916.25	
Henan Jinding Shengyuan Equity Investment Fund (Limited Partnership)	58,116,367.08			–4,146,773.71						53,969,593.37	
Luoyang CSI Technology Innovation Venture Capital Fund (Limited Partnership)	11,042,157.20			–28,609.73						11,013,547.47	
Luohe Huarui Permanent Magnetic Material Co., Ltd.	1,500,000.00									1,500,000.00	3,389,755.50
Henan Zhonglian Equipment Manufacturing Technology Research Center Co., Ltd.	19,937,646.79			–1,040,628.86						18,897,017.93	
Zhongyuan Environmental Capital Technology Co., Ltd.	16,730,192.94			–331,519.74						16,398,673.20	
Henan Carat Diamond Co., Ltd.	17,304,512.43		17,304,512.43								

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Long-term equity investments (continued)

(2) Investment in associated enterprises (continued)

Investee	Opening balance	Increase/Decrease: Additional Investment	Reducing investment	Investment gains and losses recognized under the equity method	Other comprehensive income adjustment	Other changes in equity	Declare cash dividends or profits	Provision for impairment	others	Closing balance	Impairment provision year-end balance
Henan Jiaoguang Rongmedia Cultural Communication Co., Ltd.	3,848,632.97			44,711.27						3,893,344.24	
Henan Ruida Pharmaceutical Technology Co., Ltd.											5,059,488.46
Zhengzhou IKEA Anhao Software Technology Co., Ltd.											3,476,571.60
Zhengzhou Meets Network Technology Co., Ltd.	3,504,183.50		3,518,592.59	14,409.09							
Zhengzhou Evan Computer Technology Co., Ltd.			4,091,051.74						4,091,051.74		
Zhengzhou Dahe Zhixin Technology Co., Ltd.	11,384,068.78			189,019.73						11,573,088.51	
Nanyang Fuxinte Optoelectronics Technology Co., Ltd.	4,292,973.59		4,292,973.59								
Henan Ruifeng Diamond Products Co., Ltd.	6,714,646.13			554,709.28						7,269,355.41	
Zhengzhou Maijia Agricultural Technology Co., Ltd.	1,627,082.17			−223,256.08						1,403,826.09	
Henan Liying Environmental Protection Technology Co., Ltd.	22,567,319.13			2,008,256.84						24,575,575.97	
Henan Dudu Computer Technology Co., Ltd.	240,000.00									240,000.00	492,987.23
Tangyin County Innovation Industry Investment Fund (Limited Partnership)	1,424,491.30			−224,344.08						1,200,147.22	
Minquan County Innovation Industry Investment Fund (Limited Partnership)	21,824,940.16			18,238,875.69						40,063,815.85	
Qingdao Zhongzhou Lanhai Beisheng Investment Management Center (Limited Partnership)	12,184,510.60			−4,148,955.95						8,035,554.65	
Henan Zhongyuan Big Data Trading Center	1,905,707.21			126,800.11						2,032,507.32	
Henan Asset Management Co., Ltd.	562,337,674.45			43,115,866.39	181,829.12		−15,106,290.38			590,529,079.58	
Henan Dahecai Cube Media Holdings Co., Ltd.	30,789,285.43			1,200,451.41						31,989,736.84	
Hebi Magnesium Trading Center Co., Ltd.	10,046,758.18			−305,527.56						9,741,230.62	
Shangcai Fengtuo Agriculture and Forestry Technology Co., Ltd.	4,989,454.94			−13,323.71						4,976,131.23	
2242257OntarioInc	8,040,501.72			−1,046,223.04		−940,419.06		−5,530,697.19	−76,496.75	446,665.68	5,530,697.19
Luoyang Jianlong Weina New Material Co., Ltd.	41,904,590.51						−2,257,900.00		−39,646,690.51		
Luoyang Desheng Biotechnology Co., Ltd.	11,528,446.08			−98,434.89						11,430,011.19	
Total	1,104,721,398.67		32,952,381.93	53,783,145.31	181,829.12	69,205.36	−17,364,190.38	−5,530,697.19	−35,632,135.52	1,067,276,173.44	30,154,117.51

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Long-term equity investments (continued)

(2) Investment in associated enterprises (continued)

On 31 December, 2020, the Group inspected the book long-term equity investment, combined with the operating conditions, financial status and other factors of the investee, assessed the extent of impairment, and implemented impairment tests on this basis. For long-term equity investments whose book value exceeds the recoverable amount, impairment losses are recognized based on the difference. The total amount of impairment losses recognized in 2020 is 5,530,697.19 yuan.

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Investment properties

Item	Buildings and structures	Total
Original book value		
1. Opening balance	33,882,398.45	33,882,398.45
2. Increase		
3. Decrease		
4. Closing balance	33,882,398.45	33,882,398.45
Accumulated depreciation and accumulated amortization		
1. Opening balance	16,592,728.52	16,592,728.52
2. Increase	815,580.92	815,580.92
(1) Accrual or amortization	815,580.92	815,580.92
3. Decrease		
4. Closing balance	17,408,309.44	17,408,309.44
Provision for impairment		
1. Opening balance		
2. Increase		
3. Decrease		
4. Closing balance		
Book value		
1. Closing book value	16,474,089.01	16,474,089.01
2. Opening book value	17,289,669.93	17,289,669.93

On 31 December, 2020 and 31 December, 2019, the company determined that investment real estate does not require provision for impairment.

On 31 December, 2020 and 31 December, 2019, the company's investment real estate did not have a property right certificate yet to be completed.

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Fixed assets

(1) Book Value

Item	31 December 2020	31 December 2019
Original value of fixed assets Less:	518,939,792.67	529,779,821.41
Accumulative depreciation	339,935,752.90	336,747,594.72
Less: Provision for asset impairments		
Total	179,004,039.77	193,032,226.69

(2) Changes in the increase or decrease of fixed assets

Item	Buildings and structures	Electronic equipment	Transport facilities	Others	Total
Original book value					
1. Opening balance	158,278,328.85	327,231,474.94	24,812,322.59	19,457,695.03	529,779,821.41
2. Increase		18,837,126.24	188,840.36	1,584,163.94	20,610,130.54
(1) Acquisition		18,837,126.24	188,840.36	1,584,163.94	20,610,130.54
(2) Transferred in from investment properties					
3. decrease		29,699,769.76	960,819.28	594,959.12	31,255,548.16
(1) Disposal or scrap		29,699,769.76	960,819.28	594,959.12	31,255,548.16
4. Difference by foreign currency		-102,273.67	-85,189.67	-7,147.78	-194,611.12
5. Closing balance	158,278,328.85	316,266,557.75	23,955,154.00	20,439,752.07	518,939,792.67
Accumulative depreciation					
1. Opening balance	53,520,896.87	248,099,802.88	19,399,453.69	15,727,441.28	336,747,594.72
2. Increase	4,159,345.00	26,794,720.36	1,120,017.92	848,484.91	32,922,568.19
(1) Accrual	4,159,345.00	26,794,720.36	1,120,017.92	848,484.91	32,922,568.19
(2) Transferred in from investment properties					
3. Decrease		28,259,112.08	813,630.57	527,995.23	29,600,737.88
(1) Disposal or scrap		28,259,112.08	813,630.57	527,995.23	29,600,737.88
4. Difference from foreign currency translation		-76,065.46	-51,919.37	-5,687.30	-133,672.13
5. Closing balance	57,680,241.87	246,559,345.70	19,653,921.67	16,042,243.66	339,935,752.90
Provision for impairment					
1. Opening balance					
2. Increase					
3. Decrease					
4. Closing balance					
Book value					
1. Closing book value	100,598,086.98	69,707,212.05	4,301,232.33	4,397,508.41	179,004,039.77
2. Opening book value	104,757,431.98	79,131,672.06	5,412,868.90	3,730,253.75	193,032,226.69

(3) The depreciation of the fixed asset is RMB32,922,568.19.

(4) On 31 December, 2020, the Group has no fixed assets that have not completed the title certificate.

(5) On 31 December, 2020, the Group has no fixed assets temporarily idle.

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Construction in progress

Item	31 December 2020			31 December 2019		
	Book balance	Impairment loss	Book value	Book balance	Impairment loss	Book value
Office building construction	52,427,024.00		52,427,024.00	35,578,119.28		35,578,119.28
Total	52,427,024.00		52,427,024.00	35,578,119.28		35,578,119.28

15. Right-of-use assets

Item	Buildings and structures	Total
Original book value		
1. Opening balance	242,281,992.72	242,281,992.72
2. Increase	54,926,385.49	54,926,385.49
(1) Rent in	54,926,385.49	54,926,385.49
3. Decrease	18,860,731.14	18,860,731.14
(1) lease expires	18,860,731.14	18,860,731.14
4. Difference by foreign currency	-2,463,371.86	-2,463,371.86
5. Closing balance	275,884,275.21	275,884,275.21
Accumulative depreciation		
1. Opening balance	57,304,296.65	57,304,296.65
2. Increase	75,348,822.39	75,348,822.39
(1) Accrual	75,348,822.39	75,348,822.39
3. Decrease	18,860,731.14	18,860,731.14
(1) lease expires	18,860,731.14	18,860,731.14
4. Difference by foreign currency	-941,275.95	-941,275.95
5. Closing balance	112,851,111.95	112,851,111.95
Book value		
1. Opening balance	163,033,163.26	163,033,163.26
2. Closing balance	184,977,696.07	184,977,696.07

On 31 December, 2020 and 31 December, 2019, the Group determined that the right-of-use asset does not require provision for impairment.

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Intangible assets

(1) Details

Item	Computer software	Seat fee	Land-use right	Others	Total
Original book value					
1. Opening balance	223,802,533.75	32,670,730.00	105,480,246.53	2,444,000.00	364,397,510.28
2. Increase	62,007,721.22				62,007,721.22
3. Decrease	714,866.47				714,866.47
4. Difference by foreign currency	-15,886.98	-54,140.00			-70,026.98
5. Closing balance	285,079,501.52	32,616,590.00	105,480,246.53	2,444,000.00	425,620,338.05
Accumulative depreciation					
1. Opening balance	158,027,648.53	31,558,283.56	15,162,785.22	2,438,833.51	207,187,550.82
2. Increase	28,453,178.89	49,999.92	2,637,006.12	5,166.49	31,145,351.42
3. Decrease	714,866.47				714,866.47
4. Difference by foreign currency	-15,886.98				-15,886.98
5. Closing balance	185,750,073.97	31,608,283.48	17,799,791.34	2,444,000.00	237,602,148.79
Impairment allowance					
1. Opening balance					
2. Increase					
3. Decrease					
4. Closing balance					
Book value					
1. Opening balance	99,329,427.55	1,008,306.52	87,680,455.19		188,018,189.26
2. Closing balance	65,774,885.22	1,112,446.44	90,317,461.31	5,166.49	157,209,959.46

(2) The amortization amount of intangible assets was RMB31,145,351.42 for the period ended 31 December, 2020.

(3) On 31 December, 2020 and 31 December, 2019, the Group has no significant intangible assets used as collateral or guarantee.

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Intangible assets (continued)

(4) Details of transaction seat fees

Item	Original balance	31 Dec, 2019	Amortized or transferred	Accumulated amortization or roll-out	Difference by foreign currency	31 Dec 2020
Shanghai Stock Exchange A-shares	19,462,500.00			19,462,500.00		
Shenzhen Stock Exchange A-shares	11,812,450.00			11,812,450.00		
National SME Stock Transfer System Co., Ltd.	500,000.00	216,666.44	49,999.92	333,333.48		166,666.52
Hong Kong Stock Exchange	876,200.00	895,780.00			-54,140.00	841,640.00
Total	32,651,150.00	1,112,446.44	49,999.92	31,608,283.48	-54,140.00	1,008,306.52

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Deferred income tax assets and deferred income tax liabilities

(1) Confirmed deferred income tax assets and deferred income tax liabilities

Item	31 December 2020	31 December 2019
Deferred income tax assets		
Provision for asset impairment	243,561,201.63	177,525,697.93
Employee benefits payable	76,885,445.52	73,607,160.80
Changes in fair value of financial assets at fair value through profit or loss and derivative financial instruments	100,789,341.05	81,599,266.52
To be carried forward underwriting income and expenditure	3,045,778.89	2,924,615.32
Accrued expenses	2,507,002.68	2,743,228.44
Change in fair value of financial assets at fair value through other comprehensive income	18,206,409.85	
Changes in fair value of financial liabilities at fair value through profit or loss	1,524,273.16	
Futures risk reserve	105,574.86	105,574.86
Others	18,109,620.45	7,120,149.24
Total	464,734,648.09	345,625,693.11
Deferred income tax liabilities		
Changes in fair value of financial assets at fair value through profit or loss and derivative financial instruments	7,102,318.65	5,499,688.98
Changes in fair value of financial assets at fair value through other comprehensive income		1,761,757.05
Changes in fair value of financial liabilities at fair value through profit or loss		779,484.35
Others	7,139,218.34	217,354.09
Total	14,241,536.99	8,258,284.47

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Deferred income tax assets and deferred income tax liabilities (continued)

(2) Temporary difference items

Item	31 December 2020	31 December 2019
Deductible temporary differences		
Provision for asset impairment	1,019,083,812.61	754,884,181.04
Changes in fair value of financial assets at fair value through profit or loss and derivative financial instruments	456,839,987.56	400,855,489.22
Employee benefits payable	307,541,782.10	294,428,643.20
To be carried forward underwriting income and expenditure	12,183,115.56	11,698,461.28
Accrued expenses	10,028,010.72	10,972,913.76
Change in fair value of financial assets at fair value through other comprehensive income	72,825,639.39	
Changes in fair value of financial liabilities measured at fair value through profit or loss	6,097,092.66	
Futures risk reserve	422,299.44	422,299.44
Others	89,776,909.66	28,480,596.96
Total	1,974,798,649.70	1,501,742,584.90
Taxable temporary difference		
Changes in fair value of financial assets at fair value through profit or loss and derivative financial instruments	28,409,274.59	21,998,755.92
Changes in fair value of financial assets at fair value through other comprehensive income		7,047,028.21
Changes in fair value of financial liabilities measured at fair value through profit or loss		3,117,937.40
Others	28,556,873.36	869,416.36
Total	56,966,147.95	33,033,137.89

(3) It is possible for the Group to acquire taxable income offsetting deductible temporary differences. Thus the Group determine to recognized the deferred tax assets.

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Goodwill

Investee	31 December 2019	Generated from business combination in the current period	Difference from foreign currency translation	31 December 2020	31 December 2020 Impairment loss
Central China Futures Co., Ltd.	7,268,756.37			7,268,756.37	
Central China Financing International Co., Ltd.	15,103,058.09		-912,812.92	12,614,035.24	1,576,209.93
Total	22,371,814.46		-912,812.92	19,882,791.61	1,576,209.93

(1) In 2007, the Company acquired 55.68% of Central China Futures Co., Ltd. (Original name: Yuliang Futures Brokerage Co., Ltd.). The difference between the fair value of the identifiable assets and liabilities of Central China Futures Co., Ltd. obtained by the merger cost exceeding the proportion is recognized as goodwill related to Central China Futures Co., Ltd.

(2) Goodwill of the Group arose from its acquisition of 100% of Central China International Financial Holdings Co., Ltd. (Original name: Pan Asia Finance Co., Ltd.) in 2016 with a merger consideration HKD24,416,272.00. The recognition of fair value is HKD7,556,040.59 and the difference is HKD16,860,231.41, which is converted into goodwill at the exchange rate on 31 December, 2020.

(3) The main cash flow generated by the above invested unit is independent of the other subsidiaries, and the Company separately manages the above subsidiaries. Therefore, each subsidiary is an asset group and the goodwill formed by the business combination with separately impairment test. The recoverable amount of the Company's goodwill is determined by the method of estimating the present value of future cash flows. The discount of cash flow is calculated using an appropriate discount rate and reflects the specific risks of the relevant asset group. As of 31 December 2020, the Company's carrying amount of the goodwill through an impairment test, an impairment provision of RMB1,576,209.93 was made based on the estimated recoverable amount.

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Other assets

(1) Details

Item	31 December 2020	31 December 2019
Other receivable	208,187,453.87	165,575,875.56
Deferred expenses	8,724,860.09	9,218,414.91
Long-term deferred expenses	29,304,787.78	29,329,480.40
Pending underwriting expenses	758,196.90	415,675.06
Entrusted Loan	4,000,000.00	13,828,588.41
Loan	875,830,915.70	1,074,197,140.31
Commodity inventory	197,278,287.50	120,615,640.34
Temporary payment	40,088,770.06	10,123,099.45
Clearing margin receivable	10,053,020.30	10,056,957.85
Pending deduct VAT on purchase	3,763,992.39	5,509,223.08
Futures membership	1,400,000.00	1,400,000.00
Interest receivable	1,262,539.54	3,107,002.04
Others	6,670,650.56	2,721,932.28
Total	1,387,323,474.69	1,446,099,029.69

(2) Other receivable

1) Details

Item	31 December 2020	31 December 2019
Prepayments	37,802,104.67	40,042,809.83
Cash pledge	18,457,262.12	27,208,048.47
Equity transfer fund	28,000,000.00	40,000,000.00
Debt receivable	14,584,450.53	20,561,469.28
Margins	107,692,585.42	34,175,791.81
Withhold and remit Tax	193,064.03	116,438.31
Others	19,267,087.49	24,662,526.39
Less: Provision for bad debt	17,809,100.39	21,191,208.53
Book value	208,187,453.87	165,575,875.56

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Other assets (continued)

(2) Other receivable (continued)

2) By evaluation methods

Item	31 December 2020 Book balance	31 December 2020 Provision for bad debts	31 December 2020 Proportion (%)	31 December 2019 Book balance	31 December 2019 Provision for bad debts	31 December 2019 Proportion (%)
Separate provision for bad debts	133,831,876.43	12,785,582.57	9.55	81,267,704.86	16,592,568.75	20.42
Subtotal	133,831,876.43	12,785,582.57		81,267,704.86	16,592,568.75	
Combination provision for bad debts						
Within 1 year	56,469,157.79	282,345.90	0.50	81,113,192.09	405,566.08	0.50
1–2 years	18,713,083.99	935,654.20	5.00	13,902,884.24	695,144.21	5.00
2–3 years	9,355,826.17	935,582.62	10.00	2,924,366.68	292,436.67	10.00
3–4 years	2,391,853.82	478,370.76	20.00	1,178,726.47	235,745.29	20.00
4–5 years	1,129,068.48	338,720.54	30.00	1,101,786.73	330,536.02	30.00
More than 5 years	4,105,687.58	2,052,843.80	50.00	5,278,423.02	2,639,211.51	50.00
Subtotal	92,164,677.83	5,023,517.82		105,499,379.23	4,598,639.78	
Total	225,996,554.26	17,809,100.39		186,767,084.09	21,191,208.53	

3) At the end of the period, there are no accounts receivable from related parties.

(3) Long-term deferred expenses

Item	31 December 2019	Increase	Deferred	Decrease	31 December 2020
Decoration expense.etc.	29,329,480.40	13,591,599.68	13,585,931.11	30,361.19	29,304,787.78
Total	29,329,480.40	13,591,599.68	13,585,931.11	30,361.19	29,304,787.78

(4) Entrusted loans

Item	31 December 2020	31 December 2019
Entrusted loans	34,416,951.35	34,633,051.35
Less: Provision for impairment of assets	30,416,951.35	20,804,462.94
Book value	4,000,000.00	13,828,588.41

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Other assets (continued)

(5) Loan

1) By categories

Item	31 December 2020	31 December 2019
Individual	40,841,156.74	51,830,380.83
Agency	977,539,981.74	1,105,263,879.41
Less: Provision for asset impairments	142,550,222.78	82,897,119.93
Book value	875,830,915.70	1,074,197,140.31

Henan Central China Micro-lending Co., Ltd. a subsidiary of the Company, has started its loan business in 2017, the Company mainly lends money to third parties at an annual interest rate ranging from 7.125% to 17.28%.

2) By the approach of credit enhancement

Item	31 December 2020	31 December 2019
Mortgage loan	165,098,079.70	33,511,383.51
Pledge loan	69,537,966.67	73,270,550.00
Guaranteed loan	771,612,802.11	1,033,539,382.84
Credit loan	12,132,290.00	16,772,943.89
Less: Provision for asset impairments	142,550,222.78	82,897,119.93
Book value	875,830,915.70	1,074,197,140.31

3) Changes in loan impairment provision

Item	31 December 2019	Accrual	31 December 2020
Impairment loss of loan	82,897,119.93	59,653,102.85	142,550,222.78
Total	82,897,119.93	59,653,102.85	142,550,222.78

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Securities lending

Item	31 December 2020	31 December 2019
Securities lending	**6,015,764.80**	5,410,131.09
— Financial assets at fair value through profit or loss	**6,015,764.80**	5,410,131.09

As of 31 December, 2020 and 31 December, 2019, the Company has no significant margin trading business contracts overdue.

21. Detailed statement of provision for impairment of assets

(1) By changing details

			Decrease				
Item	31 December 2019	Increase	Turn back	Transfer out	Others	Difference from foreign currency translation	31 December 2020
Provision for impairment of margin account receivable	70,996,690.11	8,226,439.80				-3,649,167.23	75,573,962.68
Provision for bad debts	34,780,640.76	11,540,277.08	5,098,747.23	451,350.04	302,915,200.00	-93,496.80	343,592,523.77
Provision for impairment of financial assets held under resale agreement	403,489,034.92	166,368,476.54			-302,915,200.00		266,942,311.46
Provision for impairment of financial assets at amortized costs	141,119,101.26	22,162,607.50	686,838.78			-4,870,239.31	157,724,630.67
Provision for impairment of financial assets at fair value through other comprehensive income	200,655.09	70,774,304.74					70,974,959.83
Provision for impairment of other assets	7,558,888.38	2,408,888.39					9,967,776.77
Provision for impairment of loan	82,897,119.93	59,653,102.85					142,550,222.78
Provision for impairment of entrusted loan	20,804,462.94	9,828,588.41	216,100.00				30,416,951.35
Subtotal	761,846,593.39	350,962,685.31	6,001,686.01	451,350.04		-8,612,903.34	1,097,743,339.31
Provision for impairment of long-term equity investments	28,714,472.06	5,530,697.19		4,091,051.74			30,154,117.51
Provision for impairment of inventory	65,078.02	24,645,128.84		24,710,206.86			
Provision for impairment of goodwill		1,665,500.52				-89,290.59	1,576,209.93
Subtotal	28,779,550.08	31,841,326.55		28,801,258.60		-89,290.59	31,730,327.44
Total	790,626,143.47	382,804,011.86	6,001,686.01	29,252,608.64		-8,702,193.93	1,129,473,666.75

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Detailed statement of provision for impairment of assets (continued)

(2) Expected credit loss provisions for financial instruments and other items

Item	31 December 2020 Expected credit losses in the next 12 months	Expected credit loss for the entire duration (No credit impairment)	Credit impairment	Total
Provision for impairment of margin account receivable	21,729,825.88	1,614,024.67	52,230,112.13	75,573,962.68
Provision for bad debts		9,550,197.58	334,042,326.19	343,592,523.77
Provision for impairment of financial assets held under resale agreement	1,371,808.35		265,570,503.11	266,942,311.46
Provision for impairment of financial assets at amortized costs	23,041.81		157,701,588.86	157,724,630.67
Provision for impairment of financial assets at fair value through other comprehensive income	1,266,559.83		69,708,400.00	70,974,959.83
Provision for impairment of other assets			9,967,776.77	9,967,776.77
Provision for impairment of loan	4,922,882.76	641,944.33	136,985,395.69	142,550,222.78
Provision for impairment of entrusted loan			30,416,951.35	30,416,951.35
Total	29,314,118.63	11,806,166.58	1,056,623,054.10	1,097,743,339.31

Item	31 December 2019 Expected credit losses in the next 12 months	Expected credit loss for the entire duration (No credit impairment)	Credit impairment	Total
Provision for impairment of margin account receivable	15,285,375.88		55,711,314.23	70,996,690.11
Provision for bad debts		8,153,255.34	26,627,385.42	34,780,640.76
Provision for impairment of financial assets held under resale agreement	995,343.00	541,515.64	401,952,176.28	403,489,034.92
Provision for impairment of financial assets at amortized costs	709,880.59		140,409,220.67	141,119,101.26
Provision for impairment of financial assets at fair value through other comprehensive income	200,655.09			200,655.09
Provision for impairment of other assets			7,558,888.38	7,558,888.38
Provision for impairment of loan	7,501,815.14		75,395,304.79	82,897,119.93
Provision for impairment of entrusted loan			20,804,462.94	20,804,462.94
Total	24,693,069.70	8,694,770.98	728,458,752.71	761,846,593.39

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Short-term loans

Item	31 December 2020	31 December 2019
Credit borrowing (note 1)	**42,082,000.00**	1,067,700,654.19
Pledge borrowing		85,811,114.11
Guaranteed borrowing (note 2)	**273,895,554.88**	415,236,129.54
Total	**315,977,554.88**	1,568,747,897.84

Note 1: As of 31 December, 2020, credit loans are loans borrowed by subsidiary Central China International Financial Holdings Co., Ltd. from China Merchants Yong Long Bank Co., Ltd. The term of borrowing does not exceed one year, and the annual interest rate of the loan is approximately Hibor+2.4%.

Note 2: As of 31 December, 2020, guaranteed loans are loans borrowed by subsidiary Central China International Financial Holdings Co., Ltd. from China Merchants Yong Long Bank Co., Ltd. in the form of overseas loan under domestic guarantee. The loan period does not exceed one year, and the annual interest rate of the loan is approximately Hibor+1.5%.

23. Short-term financing instruments payable

Item	Par value	Start Date	Maturity	Issuing amount	Coupen rate	Book balance of 31 Dec. 2019	Increase	Decrease	Book balance of 30 Jun.2020
17Central China 01 (note1)	1,500,000,000.00	26 July 2017	3 years	1,500,000,000.00	5.15%	1,533,651,369.85	43,598,630.15	1,577,250,000.00	
17Central China 02 (note1)	1,000,000,000.00	17 November 2017	3 years	1,000,000,000.00	5.49%	1,006,768,493.23	48,131,506.77	1,054,900,000.00	
18Central China 01 (note1)	1,500,000,000.00	27 April 2018	3 years	1,500,000,000.00	5.58%		1,557,328,766.98		**1,557,328,766.98**
19Central China F1 (note2)	1,500,000,000.00	16 April 2019	1 year	1,500,000,000.00	3.80%	1,540,446,575.35	16,553,424.65	1,557,000,000.00	
Income certificates (note 3)	1,856,258,000.00	From 10 July to 31 December 2020	14~241 days	1,856,258,000.00	2.60%~6.00%	374,580,686.32	3,927,221,835.31	2,433,191,326.69	**1,868,611,194.94**
US$110,000,000 5.2 percent. Guaranteed Bonds due 2021 (note4)	110,000,000.00 (USD)	15 September 2020	363 days	110,000,000.00 (USD)	5.20%		728,717,847.98		**728,717,847.98**
Total						4,455,447,124.75	6,321,552,011.84	6,622,341,326.69	**4,154,657,809.90**

Note 1: According to the resolution of the Central China securities Co.,Ltd.,on the Company's issuance of domestic and foreign debt financing instruments and related authorizations adopted by the Company's third extraordinary shareholders' meeting in 2015, the Shanghai Stock Exchange "Letter on Objection to the Non-Public Issuance of subordinated bonds of Central China securities Co.,Ltd.," (Shangzheng Han [2017] No. 586), the Company can non-public issue subordinated bonds with a total amount of less than RMB10 billion to qualified investors. On 25 July, 2017, the Company issued the first subordinated bonds of 2017 with a face value of RMB1.5 billion and debt maturity of 3 years, the coupon rate was 5.15%; on 16 November, 2017, the Company issued the second subordinated bonds of 2017 with a face value of RMB1 billion, maturity of 3 years, and a coupon rate of 5.49%; On 26 April, 2018, the Company issued the first subordinated debt of 2018 with a face value of RMB1.5 billion and debt maturity of 3 years, the coupon rate was 5.58%

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. Short-term financing instruments payable (continued)

Note 2: According to the resolution of the Company's 2015 third interim shareholders' meeting and the Shanghai Stock Exchange "Letter on Objection to the Non-Public Issuance of Corporate Bonds of Central China securities Co.,Ltd.," (Shangzheng Han [2019] No. 132), the Company can non-public issue corporate bonds with a total amount of less than RMB5 billion to qualified investors. On 15 April, 2019, the Company issued RM1.5 billion of bonds with maturity of one year and a coupon rate of 3.80%.

Note 3: As of 31 December 2020, the Company's existing proofs of income include Xinyi series proof of income of 28,989,000.00 yuan, Jinyi series proof of income of 119,853,000.00 yuan, Zunyi series proof of income of 157,416,000.00 yuan and Rongyi series proof of income of 1,550,000,000.00 yuan, with a period of 14~ 241 days, the interest rate range is 2.60%~6.00%.

Note 4: Deliberated by the Company's 2020 third board resolution and the Hong Kong Stock Exchange "Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and in the Securities and Futures Ordinance (Cap. 571) of Hong Kong" Approved, Wending Zhongyuan Company Limited, a subsidiary of the Company, issued 363 days of 110 million US dollars senior unsecured bonds on the Hong Kong Stock Exchange on 15 September, 2020, with a coupon rate of 5.20%. The above bonds are provided by the Company's subsidiary CCIFHC as an unconditional and irrevocable guarantee, and the company provides a maintenance agreement and a liquidity support agreement.

Note 5: On 31 December, 2020, short-term financing instruments payable include subordinated debt, proofs of income which period less than 1year (include1 year).

24. Due to banks and other financial institutions

(1) Details

Item	31 December 2020	31 December 2019
Due to banks	1,990,620,444.45	2,361,159,583.32
Capital from refinancing	1,703,797,777.78	
Total	**3,694,418,222.23**	2,361,159,583.32

(2) Residual maturity of capital from refinancing

Item	31 December 2020		31 December 2019	
	Balance	Rate	Balance	Rate
Within 1 month	503,004,444.45	2.80%		
1–3 months	1,200,793,333.33	2.80%		
Total	**1,703,797,777.78**			

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25. Financial liabilities at fair value through profit or loss

Item	31 December 2020		
	Fair value		
	Classified into FVTPL	Designated as FVTPL	Total
Bonds (note1)	778,986,314.11		778,986,314.11
Included in the scope of consolidation and classified as financial liabilities at fair value through profit or loss (note2)	577,240,268.93		577,240,268.93
Total	1,356,226,583.04		1,356,226,583.04

Item	31 December 2019		
	Fair value		
	Classified into FVTPL	Designated as FVTPL	Total
Bonds (note1)	714,792,262.30		714,792,262.30
Included in the scope of consolidation and classified as financial liabilities at fair value through profit or loss (note2)	399,760,116.86		399,760,116.86
Total	1,114,552,379.16		1,114,552,379.16

Note 1: As of 31 December, 2020 and 31 December, 2019, the Group sold outright bonds to other financial institutions for financing business.

Note 2: In the consolidated financial statements, since the Group is obliged to pay other investors on the maturity date of the structured entity in accordance with the net book value and the relevant terms of the structured entity, the Group classifies the financial liabilities arising from the consolidated structured entity as financial liabilities at fair value through profit or loss.

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. Financial assets sold under repurchase agreements

(1) By categories

Item	31 December 2020	31 December 2019
Outright repurchase	170,134,478.47	357,042,328.08
Pledge-style repurchase	12,030,173,716.26	7,362,059,631.32
Income right repurchase for margin trading and short selling		1,001,986,666.67
Total	12,200,308,194.73	8,721,088,626.07

(2) By subject categories

Item	31 December 2020	31 December 2019
Bond	12,200,308,194.73	7,719,101,959.40
Income right from margin trading and short selling		1,001,986,666.67
Total	12,200,308,194.73	8,721,088,626.07

(3) Collateral information of financial assets sold under repurchase agreements

Item	Fair value on 31 December 2020	Fair value on 31 December 2019
Bond	13,375,777,049.15	8,602,600,556.80
Income right from margin trading and short selling		1,152,922,141.97
Total	13,375,777,049.15	9,755,522,698.77

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27. Accounts payable to brokerage clients

(1) Details

Item	31 December 2020	31 December 2019
General brokerage business		
Individual	9,183,094,149.35	7,786,190,760.54
Institution	594,826,211.62	359,523,577.32
Subtotal	9,777,920,360.97	8,145,714,337.86
Credit business		
Individual	758,296,288.57	726,216,894.89
Institution	19,013,901.71	23,135,708.59
Subtotal	777,310,190.28	749,352,603.48
Total	10,555,230,551.25	8,895,066,941.34

28. Employee benefits payable

(1) Details

Item	31 December 2019	Increase	Decrease	31 December 2020
Short-term bonus	451,722,664.96	875,769,932.83	769,131,280.73	558,361,317.06
Post-employment benefit — defined contribution plans	26,110,079.86	57,581,378.00	80,679,101.14	3,012,356.72
Dismissal benefit	833,577.01	363,146.39	637,859.01	558,864.39
Total	478,666,321.83	933,714,457.22	850,448,240.88	561,932,538.17

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. Employee benefits payable (continued)

(2) Short-term benefits

Item	31 December 2019	Increase	Decrease	31 December 2020
Wages, bonuses, allowances and subsidies,	366,173,608.87	755,608,080.25	665,484,191.52	456,297,497.60
Welfare		17,066,554.31	17,032,341.64	34,212.67
Social insurance contribution	3,860.97	25,883,717.34	25,886,283.31	1,295.00
Include: Medical insurance	3,626.87	25,044,481.52	25,047,598.04	510.35
Work-related injury insurance	39.00	71,133.22	70,837.67	334.55
Maternity insurance	195.10	684,217.92	684,217.92	195.10
Supplementary medical insurance		79,330.38	79,075.38	255.00
Others		4,554.30	4,554.30	
Housing funds	1,680.00	44,350,178.91	44,351,858.91	
Labor union and employee education funds	85,543,515.12	32,861,402.02	16,376,605.35	102,028,311.79
Total	451,722,664.96	875,769,932.83	769,131,280.73	558,361,317.06

(3) Post-employment benefit — defined contribution plans

Item	31 December 2019	Increase	Decrease	31 December 2020
Basic pension	3,902.40	7,115,328.14	7,035,232.25	83,998.29
Unemployment insurance	97.50	320,954.66	316,442.38	4,609.78
Enterprise annuity payment	26,106,079.96	50,145,095.20	73,327,426.51	2,923,748.65
Total	26,110,079.86	57,581,378.00	80,679,101.14	3,012,356.72

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. Taxes payable

Item	31 December 2020	31 December 2019
Business income tax	114,101,377.09	48,599,122.69
Individual income tax	9,375,343.19	4,573,376.31
VAT	5,327,159.86	3,102,504.44
Urban maintenance and construction tax	1,262,668.74	280,019.95
Educational surcharge	899,695.79	198,177.40
Property tax	396,512.17	107,588.35
Land holding tax	59,419.92	6,823.78
Others	181,907.79	118,397.78
Total	131,604,084.55	56,986,010.70

30. Accounts payable

Item	31 December 2020	31 December 2019
Open-end fund liquidation	52,036,482.97	112,837,882.61
Securities liquidation	1,584,687.23	54,069,595.58
Bank custody fee	4,289,034.57	4,701,892.05
Others	7,964,367.83	11,471,761.30
Total	65,874,572.60	183,081,131.54

31. Contract liabilities

Item	31 December 2020	31 December 2019
Fee and commission advance payment	13,434,590.75	16,421,359.42
Pre-trade receivable	13,061,090.66	563,000.00
Others		3,460,493.15
Total	26,495,681.41	20,444,852.57

Contract liabilities mainly related to the Group's pre-payment of management fees and sales of goods received advance payment. Pre-payment charge at the time of signing the contract, contract-related income in the Group's fulfillment confirm compliance obligations.

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. Long-term borrowings

Item	31 December 2020	31 December 2019
Credit borrowing	1,001,741.67	13,202,955.17
Total	**1,001,741.67**	13,202,955.17

Note: As of 31 December, 2020, credit loans are loans borrowed by subsidiary Henan Central China Micro-lending Co., Ltd from Jiaozuo China Travel Bank Co., Ltd. The term of loan is 3 years, and the annual interest rate of the loan is 20% higher than the pricing base interest rate on the actual withdrawal date of the loan.

33. Bonds payable

Item	Face value	Start Date	Maturity	Issuing amount	Coupen rate	31 December 2019 book balance	Increase	Decrease	31 December 2020 book balance
18 Central China 01 (note 1)	1,500,000,000.00	27 April 2018	3years	1,500,000,000.00	5.58%	1,557,099,451.95	26,600,548.05	1,583,700,000.00	
19 Central China C1 (note 1)	1,000,000,000.00	30 October 2019	3years	1,000,000,000.00	4.90%	1,008,457,534.25	49,134,246.60	49,000,000.00	1,008,591,780.85
19 Central China 01 (note 2)	2,000,000,000.00	26 March 2019	3years	2,000,000,000.00	3.90%	2,058,383,389.76	78,858,249.48	78,003,900.00	2,059,237,739.24
20 Central China C1 (note 3)	1,500,000,000.00	23 April 2020	3years	1,500,000,000.00	4.08%		1,542,420,821.93		1,542,420,821.93
Total	6,000,000,000.00			6,000,000,000.00		4,623,940,375.96	1,697,013,866.06	1,710,703,900.00	4,610,250,342.02

Note 1: According to the resolution of the Central China securities Co.,Ltd., on the issuance of domestic and foreign debt financing instruments and related authorizations of the Company by the third interim shareholders' meeting in 2015. On 26 April, 2018, the Company issued the first subordinated debt, with a face value of RMB1.5 billion, the maturity of 3 years, and coupon rate of 5.58%; on 29 October, 2019, the Company issued the first subordinated debt of 2019 with a face value of RMB1 billion and a bond maturity of 3 years, the coupon rate was 4.90%.

Note 2: According to the resolution of the Company's the third interim shareholders' meeting in 2015, the Company was approved by the China Securities Regulatory Commission's "the Approval of Central China securities Co.,Ltd., 's Public Issuance of Corporate Bonds to Qualified Investors" (zjxk [2019] No.326), the Company issue corporate bonds with a total face value not exceeding RMB3 billion to qualified investors. On 25 March, 2019, the company issued RMB2 billion of bonds with a maturity of 3 years and a coupon rate of 3.90%.

Note 3: According to the resolution of the Company's the first extraordinary Shareholders' meeting in 2019, the Company was approved by the Shanghai Stock Exchange issued the "Letter of Objection to The Listing and Transfer of Bonds issued by Non-Public Subordinated Companies of Central China securities Co.,Ltd. (SSE Letter [2020] No. 544),the Company can non-public issue subordinated bonds with a total amount of not more than RMB3 billion to qualified investors. On April 22, 2020, the company issued RMB1.5billion of bonds with a maturity of 3 years and a coupon rate of 4.08%.

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. Lease liabilities

Item	31 December 2020	31 December 2019
Lease liabilities	157,698,672.45	177,837,189.74
Include: less than 1 year	63,101,382.10	86,390,791.78
Total	157,698,672.45	177,837,189.74

Note: The products leased by the company are mainly houses and buildings. The Group rents houses and buildings as office space, and office space leasing usually lasts for a period of 1 to 5 years.

35. Others liabilities

(1) Details

Item	31 December 2020	31 December 2019
Others payable	249,046,172.59	342,539,563.07
Prepaid fee	60,275,715.32	22,274,226.00
Investor protection fund	25,085,590.18	22,454,322.10
Futures risk reserve	4,346,572.63	4,110,068.54
Others	5,669,348.97	2,174,367.83
Total	344,423,399.69	393,552,547.54

(2) Other payable

Item	31 December 2020	31 December 2019
Equity transfer payable	105,205,000.00	111,972,500.00
Warranty Deposit (note1)	92,651,296.00	61,884,600.00
With holding supervision fees, rent, utilities, etc	14,063,675.84	11,973,830.85
Asset management plan share transfer payable (note2)	2,562,500.00	89,549,125.00
Others	34,563,700.75	67,159,507.22
Total	249,046,172.59	342,539,563.07

Note 1: The book value of the pledged bulk commodity inventory set by the subsidiary of the Company for carrying out the warehouse receipt pledge financing business is 115,814,120.00 yuan.

Note 2: As of 31 December, 2020, the asset management plans of Lianmeng No.17 and Zhongjing No.1 managed by the company were overdue. Due to contract fraud by the underlying financiers, the public security organs have filed a case for investigation and seized related assets. The Company included 244 million yuan in assets corresponding to the above-mentioned asset management plan shares into debt investment, and included the remaining 3 million yuan in the transfer of assets payable to the asset management plan into other payable.

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. Others liabilities (continued)

(3) Futures risk reserve

The Company 's subsidiary, Central China Futures Co., Ltd. according to the "Provisional Regulations on the Financial Management of Commodity Futures Trading", calculates the futures risk reserve based on 5% of the net income of the futures brokerage business fee income minus the futures exchange fee and pays it to the current profit and loss. When the risk reserve is used to make up for losses due to its own reasons or when the risk loss that is difficult to recover risk losses, the balance of the futures risk reserve is offset.

36. Share capital

Item	Opening balance	Increase/Decrease Issued	Bonus shares	Shares transferred from housing fund	Other	subtotal	Closing balance
Total share capital	3,869,070,700.00	773,814,000.00				773,814,000.00	4,642,884,700.00

Note: The Company completed the non-public issuance of A-shares in July 2020, and actually issued 773,814,000.00 RMB ordinary shares. The total amount of funds raised was RMB3,644,663,940.00, deducting various issuance expenses (excluding taxes) of RMB27,534,113.67, and the actual net amount of funds raised was RMB3,617,129,826.33 yuan. Among them, the newly-increased registered capital was RMB773,814,000.00, and the capital reserve was increased by RMB2,843,315,826.33.

37. Capital reserve

Item	31 December 2019	Increase	Decrease	31 December 2020
Premium on capital stock	3,731,847,252.71	2,843,315,826.36		6,575,163,079.07
Others	-244,609,466.75	69,205.36		-244,540,261.39
Total	3,487,237,785.96	2,843,385,031.72		6,330,622,817.68

Note: Please refer to Note VI. 36 for details of the changes in "Capital Reserve/Share Capital Premium".

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38. Other comprehensive income

Item	Balance at the beginning of the year attributable to other comprehensive income of the parent company shareholders	Current amount: Current Amount before income tax	Less: OCI carried forward transferred to profit or loss	Less: Income tax	Total	Attributable to the parent company after tax	Attributable to minority shareholder after tax	Balance at the end of the year attributable to other comprehensive income of the parent company shareholders
OCI to be reclassified subsequently to profit or loss	**36,543,591.23**	**-19,596,289.76**	**6,672,766.30**	**-2,274,590.71**	**-23,994,465.35**	**-23,994,465.35**		**12,549,125.88**
Include: the change of the fair value of OCI	5,285,271.17	-73,374,826.91	6,497,840.69	-19,968,166.90	-59,904,500.70	-59,904,500.70		-54,619,229.53
Credit impairment allowance of OCI	150,491.31	70,949,230.35	174,925.61	17,693,576.19	53,080,728.55	53,080,728.55		53,231,219.86
Other comprehensive income convertible to profit or loss under the equity method	2,251,346.29	181,829.12			181,829.12	181,829.12		2,433,175.41
Difference by foreign currency	28,856,482.46	-17,352,522.32			-17,352,522.32	-17,352,522.32		11,503,960.14
Total	**36,543,591.23**	**-19,596,289.76**	**6,672,766.30**	**-2,274,590.71**	**-23,994,465.35**	**-23,994,465.35**		**12,549,125.88**

39. Surplus reserve

Item	31 December 2019	Increase	Decrease	31 December 2020
Statutory reserve	643,670,942.57	20,182,639.89		663,853,582.46
Discretionary reserve	164,413,345.39	10,091,319.94		174,504,665.33
Total	808,084,287.96	30,273,959.83		838,358,247.79

40. General risk preparation

Item	31 December 2019	Increase	Decrease	31 December 2020
The funds for general risk provision	743,121,780.81	39,297,252.23		782,419,033.04
The funds for transactional risk provision	638,917,140.47	20,182,639.89		659,099,780.36
Total	1,382,038,921.28	59,479,892.12		1,441,518,813.40

General risk reserves include the general risk reserves and transaction risk reserves provide by the Company and its subsidiaries. For details, please refer to Note IV (24).

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

41. Retained earnings

Item	For the year ended 2020	For the year ended 2019
Retained earnings at the closing of prior year	**88,232,726.32**	238,731,987.53
Adjusted		
Retained earnings at the beginning of the period	**88,232,726.32**	238,731,987.53
Add: Net profit attributable to owners of the parent company	**104,302,038.78**	58,222,745.44
Less: Statutory reserve	**20,182,639.89**	32,114,559.08
Discretionary reserve	**10,091,319.94**	16,057,279.55
General risk reserve	**39,297,252.23**	51,054,194.94
Transaction risk reserve	**20,182,639.89**	32,114,559.08
Distribution of common Stock dividends		77,381,414.00
Balance at the end of current period	**102,780,913.15**	88,232,726.32

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

42. Net interest income

Item	For the year ended 2020	For the year ended 2019
Interest income	959,869,249.40	979,725,596.57
Include: Interest income from monetary funds and settlement reserves	246,792,924.19	211,952,556.47
Interest income on margin account receivable	477,557,852.19	389,238,284.21
interest income from financial assets held under resale agreement	82,777,504.62	193,981,433.50
Include: interest income from agreed repurchase	996,809.98	1,357,301.47
interest income from stock-pledged repurchase	46,354,779.03	90,493,451.12
interest income from instruments measured at amortized cost	15,031,439.52	38,947,751.77
interest income from instruments at fair value through other comprehensive income	54,322,352.87	45,066,651.47
interest income from loan	81,401,501.07	100,239,865.58
interest income from entrusted loans	496,861.31	299,053.57
Others	1,488,813.63	
Interest expense	858,771,546.11	951,227,973.53
Interest: expense of borrowing	46,006,968.10	92,392,451.55
expense of short-term financing instruments	40,983,987.06	23,261,913.30
expense of loans from other financial institutions	77,148,662.74	69,320,167.80
Including: expense of refinancing interest	30,440,555.57	21,440,277.79
expense of financial assets sold under repurchase agreement	263,724,123.51	316,813,543.22
expense of accounts payable to brokerage clients	37,816,799.16	30,923,572.88
expense of bond payable interest	363,302,104.60	390,376,765.11
Including: expense of subordinated bond interest	267,812,580.47	257,700,161.29
Bond loan	15,528,329.95	19,668,356.14
Others	14,260,570.99	8,471,203.53
Net interest income	101,097,703.29	28,497,623.04

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

43. Net fee and commission income

(1) Details

Item	For the year ended 2020	For the year ended 2019
Securities brokerage services net income	702,390,449.73	471,791,181.63
— Securities brokerage services income	901,944,748.51	613,891,393.02
— Funds received as agent of stock exchange	849,557,071.59	598,933,438.01
Leasing of trading unit seats	489,128.51	594,228.47
Sales agent of financial products	51,559,606.38	13,535,896.80
— Securities brokerage services expense	199,554,298.78	142,100,211.39
— Funds received as agent of stock exchange	199,399,805.52	141,943,401.39
Sales agent of financial products	30,611.75	35,293.17
Futures brokerage business net income	88,254,594.49	45,997,286.10
— Futures brokerage business income	125,000,223.60	81,472,414.37
— Futures brokerage business expense	36,745,629.11	35,475,128.27
Investment bank business net income	206,756,722.44	246,803,568.01
— Investment bank business income	217,653,553.36	253,523,790.14
— Securities underwriting business	114,957,161.13	124,461,462.98
Sponsor business of securities	29,729,145.23	19,273,584.90
Financial advisory business	72,967,247.00	109,788,742.26
— Investment bank business expenses	10,896,830.92	6,720,222.13
— Securities underwriting business	9,313,489.57	4,402,514.95
Sponsor business of securities	567,107.20	1,217,735.85
Financial advisory business	1,016,234.15	1,099,971.33
Asset management business net income	47,316,049.98	65,064,514.83
— Asset management business income	47,758,408.04	65,246,188.37
— Asset management business expense	442,358.06	181,673.54
Fund management business net income	13,254,217.54	17,737,008.90
— Fund management business income	13,254,217.54	17,737,008.90
— Fund management business expense		
Investment consulting business net income	81,561,242.32	78,187,327.07
— Investment consulting business income	81,561,242.32	78,740,546.79
— Investment consulting business expense		553,219.72
Other fee and commission net income	32,665,010.33	35,547,551.07
— Other fee and commission income	32,811,519.76	35,547,551.07
— Other fee and commission expense	146,509.43	
Total	**1,172,198,286.83**	961,128,437.61
Include: total fee and commission income	**1,419,983,913.13**	1,146,158,892.66
total fee and commission expense	**247,785,626.30**	185,030,455.05

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

43. Net fee and commission income (continued)

(2) Net income from financial advisory business

Item	For the year ended 2020	For the year ended 2019
Net income from mergers and acquisitions financial advisory business — Domestic listed company	18,537,735.84	34,759,695.25
Net income from mergers and acquisitions financial advisory business — others	1,499,999.99	2,148,243.42
others	51,913,277.02	71,780,832.26
Total	71,951,012.85	108,688,770.93

(3) Income from agency sales of financial assets

Item	For the year ended 2020		For the year ended 2019	
	Total sales	Total income	Total sales	Total income
Funds	6,506,725,198.64	51,559,606.38	2,479,659,165.48	12,605,351.24
Others			240,483,226.64	930,545.56
Total	6,506,725,198.64	51,559,606.38	2,720,142,392.12	13,535,896.80

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44. Investment income

(1) By categories

Item	For the year ended 2020	For the year ended 2019
Long-term equity investment income calculated by equity method	53,783,145.31	41,652,088.18
Depose long-term equity investment income	135,461,265.95	54,248,623.19
Financial instrument investment income	417,408,393.21	834,010,900.11
Include: Proceeds generated during holding period	552,723,899.77	648,157,866.18
Include: Financial assets at fair value through profit or loss	764,610,338.43	676,471,744.55
Financial liabilities at fair value through profit or loss	-211,886,438.66	-28,313,878.37
Depose financial instrument income	-135,315,506.56	185,853,033.93
Include: Financial assets at fair value through profit or loss	-74,667,012.96	174,590,020.29
Financial assets at fair value through other comprehensive income	10,380,784.48	11,813,248.18
Derivative financial instruments	-118,841,465.29	-17,351,199.25
Financial liabilities at fair value through profit or loss	47,812,187.21	16,800,964.71
Total	606,652,804.47	929,911,611.48

(2) Detailed statement of transactional financial instruments

Financial instruments measured at their fair values through profit or loss		For the year ended 2020
Classified into financial assets measured at their fair values through profit or loss	Holding period income	764,610,338.43
	Income from disposal of assets	-74,667,012.96
Designated as financial assets measured at their fair values through profit or loss	Holding period income	
	Income from disposal of assets	
Classified into financial liabilities measured at their fair values through profit or loss	Holding period income	-211,886,438.66
	Income from disposal of assets	47,812,187.21
Designated as financial liabilities measured at their fair values through profit or loss	Holding period income	
	Income from disposal of assets	

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

45. Gains on changes in fair value

Item	For the year ended 2020	For the year ended 2019
Financial assets at fair value through profit or loss	-30,313,666.81	-149,122,498.35
Include: Designated as financial assets measured at their fair values through profit or loss		
Financial liabilities at fair value through profit or loss	-9,215,030.06	3,117,937.41
Include: Designated as financial liabilities measured at their fair values through profit or loss		
Derivative financial instruments	-8,995,479.58	-19,213,351.04
Total	-48,524,176.45	-165,217,911.98

46. Other business income

Item	For the year ended 2020	For the year ended 2019
Commodity sales income	1,244,565,859.25	580,702,845.64
Penalty interest income from stock pledge business	13,747,986.54	865.55
Rental income	2,872,125.98	3,050,820.99
Others	3,317,511.08	5,000,704.54
Total	1,264,503,482.85	588,755,236.72

47. Gains from assets disposal

Item	For the year ended 2020	For the year ended 2019
Non-current asset disposal income	-20,777.16	22,972,242.66
Include: fixed asset	-20,777.16	22,972,242.66
Total	-20,777.16	22,972,242.66

48. Other income

Item	For the year ended 2020	For the year ended 2019
Government grants	10,742,594.24	8,890,812.20
Total	10,742,594.24	8,890,812.20

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

49. Taxes and surcharges

Item	For the year ended 2020	For the year ended 2019
Urban maintenance and construction tax	9,175,747.94	6,957,110.71
Educational surcharges	6,576,545.43	4,840,161.99
Others	3,623,017.80	2,623,424.48
Total	19,375,311.17	14,420,697.18

50. Business and administrative expenses

Item	For the year ended 2020	For the year ended 2019
Employee benefits	933,714,457.22	889,462,860.58
Depreciation of right-of-use assets	75,348,822.39	57,294,120.55
Electronic equipment operating fees	45,233,347.00	27,566,690.33
Depreciation of fixed assets	32,922,568.19	33,181,272.42
Amortization of intangible assets	31,145,351.42	34,672,954.29
Communication fees	18,440,320.11	17,266,991.34
Advertising cost	17,212,389.01	7,613,850.60
Consulting fees	15,984,081.27	12,617,541.17
Membership fees	15,615,489.85	27,870,736.32
Amortization of long-term deferred expenses	13,585,931.11	9,804,717.04
Service fees	13,465,692.06	13,366,023.41
Traveling expenses	12,623,148.95	8,506,501.92
Business entertainment expenses	12,038,255.41	9,151,165.23
Property fees	9,774,349.91	11,932,388.27
Litigation fees	9,357,560.60	2,007,151.08
Securities investors protection funds	7,811,652.08	20,247,376.99
Auditing expenses	7,438,607.12	13,820,260.79
Utilities fees	7,385,292.59	10,523,517.62
Exchange facility usage fee	4,295,111.18	7,705,240.63
Rental fee	4,138,119.92	5,406,103.52
Public miscellaneous fees	3,447,133.34	11,542,284.15
Safety fees	3,253,313.15	30,066,689.53
Withdrawal of futures risk reserves	2,631,268.08	1,992,447.32
Vehicle operating fees	2,571,894.81	3,225,634.18
Printing fees	2,491,878.70	3,681,585.58
Others	32,158,797.30	33,213,911.77
Total	1,334,084,832.77	1,303,740,016.63

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51. Expected credit losses

Item	For the year ended 2020	For the year ended 2019
Provision for bad debts	6,441,529.85	3,116,185.10
Provision for impairment for financial assets at amortized costs	21,475,768.72	121,925,646.33
Provision for impairment for financial assets at fair value through other comprehensive income	70,774,304.74	16,635.67
Loan loss provision	59,653,102.85	39,353,036.58
Entrusted loan loss provision	9,612,488.41	49,029.43
Provision for impairment for margin account receivable	8,226,439.80	5,408,220.13
Provision for impairment for financial assets held under resale agreement interest income	166,368,476.54	177,420,473.81
Others	2,408,888.39	2,408,888.38
Total	344,960,999.30	349,698,115.43

52. Other assets impairment losses

Item	For the year ended 2020	For the year ended 2019
Provision for impairment for inventory Provision	24,645,128.84	9,760,642.03
for impairment for long-term equity investment	5,530,697.19	
Provision for impairment for credit loss	1,665,500.52	
Total	31,841,326.55	9,760,642.03

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

53. Other operating costs

Item	For the year ended 2020	For the year ended 2019
Cost of commodity sold	1,223,165,735.20	579,988,114.62
Depreciation of Investment properties	815,580.92	815,549.69
Others	242,027.21	368,604.19
Total	1,224,223,343.33	581,172,268.50

54. Non-operating income

(1) Details

Item	For the year ended 2020	For the year ended 2019	Amount included in non-recurring profit or loss
Gains on non-current assets disposal	2,516.80	31,713.40	2,516.80
Government grants	4,446,320.46	8,824,864.58	4,446,320.46
Others	1,411,615.78	551,446.40	1,411,615.78
Total	5,860,453.04	9,408,024.38	5,860,453.04

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

54. Non-operating income (continued)

(2) Details of government grants

Item	For the year ended 2020	Source and basis	Related to assets or income
Employment Support Scheme (ESS)	2,286,059.51	42nd Meeting of the Business Facilitation Advisory Committee of the Hong Kong Government	Related to income
Provincial financial industry development special award supplement	1,000,000.00	Notice from the Department of Finance of Henan Province and the Local Financial Supervision and Administration Bureau of Henan Province on the Appropriation of Special Awards and Supplementary Funds for Provincial Financial Industry Development in 2019 (Yucaijin [2020] No. 28)	Related to income
Special funds for industrial development	1,000,000.00	"Futian District's Several Policies and Guidelines for Supporting Investment Promotion (2020–2022)", "Futian District Industrial Capital Joint Review Committee Financial Sub-Fund Approval Task Force Meeting Minutes of the Fourth Meeting in 2020"	Related to income
Government (Anti-epidemic Fund) Securities Industry Subsidy Program	88,931.80	The Government of the Hong Kong Second round of Anti-epidemic Fund Subsidy Program	Related to income
Government support funds	60,000.00	Notice of the Municipal Government on the Implementation Measures for Comprehensively Supporting the Development of Nanjing (Hexi) Financial Cluster (Ning Zhengfa [2014] No. 192)	Related to income
Kaifeng Demonstration Zone Government Advanced Unit and Advanced Individual Award	1,341.67	The Kaifeng City Demonstration Zone Working Committee of the Communist Party of China Kaifeng City Demonstration Zone Management Committee on commending the demonstration zone's 2019 industrial strong area and technological innovation, opening to the outside world and investment promotion, key project construction, service key projects, and service industrial enterprises advanced units and advanced individuals Decision [Bian Model Text [2020] No. 11]	Related to asset
Kaifeng Demonstration Zone Government Advanced Unit and Advanced Individual Award	9,987.48	Decision of the advanced unit and advanced individual rewards of 2018 Industrial Zone's promotion of Investment and technology innovation key Project by Kaifeng Municipal Demonstration Zone Management Committee (Bian shi fan wen [2019] No.6)	Related to asset
Total	4,446,320.46		

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

55. Non-operating expenditures

Item	For the year ended 2020	For the year ended 2019	Amount included in non-recurring profit or loss
Losses on non-current assets disposal	**1,416,680.46**	507,934.53	1,416,680.46
Donations and sponsorship expenditures	**5,548,811.00**	6,067,504.00	5,548,811.00
Others	**3,680,453.18**	450,224.51	3,680,453.18
Total	**10,645,944.64**	7,025,663.04	10,645,944.64

56. Income tax expenses

(1) Income tax expenses

Item	For the year ended 2020	For the year ended 2019
Current period income tax expenses	**156,173,707.05**	130,796,090.05
Deferred income tax expenses	**-114,262,405.27**	-89,761,345.65
Total	**41,911,301.78**	41,034,744.40

(2) Reconciliation of accounting profit to income tax expenses

Item	For the year ended 2020	For the year ended 2019
Profit before income tax	**144,030,392.15**	116,117,612.82
Tax at the statutory/applicable tax rate	**36,007,598.04**	29,029,403.21
Effect of different tax rates applicable to subsidiaries	**18,685,407.94**	29,271,593.76
Effect of prior income tax reconciliation	**14,446,146.23**	1,102,140.93
Effect of non-taxable incomes	**-45,656,625.82**	-38,861,477.11
Effect of non-deductible costs, expenses and losses	**13,104,133.40**	5,084,391.71
Effect of utilization of deductible losses not previously recognized		
Others	**5,324,641.99**	15,408,691.90
Income tax expenses	**41,911,301.78**	41,034,744.40

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

57. Earnings per share

Item	For the year ended 2020	For the year ended 2019
Net profit attributable to owners of the parent company	**104,302,038.78**	58,222,745.44
Non-recurring net profit and loss attributable to owners of the parent company	**8,579,668.46**	39,064,768.02
Net profit attributable to shareholders of parent company after deducting non-recurring gains and losses	**95,722,370.32**	19,157,977.42
Weighted average number of ordinary shares outstanding	**4,191,493,200.00**	3,869,070,700.00
Basic earnings per share	**0.02**	0.02
Basic earnings per share after deducting non-recurring gains and losses	**0.02**	0.005

As of 31 December, 2020 and 31 December, 2019, the Company has no dilutive potential ordinary shares, thus diluted earnings per share are the same as basic earnings per share.

58. Items of the cash flow statement

(1) Other cash received/paid related to operating/financing business

1) Other cash received related to operating business

Item	For the year ended 2020	For the year ended 2019
Government grants	**15,188,914.70**	17,715,676.82
Other business incomes	**1,264,503,482.85**	588,755,236.72
Loans	**219,464,346.95**	114,811,999.50
Others	**7,700,390.07**	54,137,809.87
Total	**1,506,857,134.57**	775,420,722.91

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

58. Items of the cash flow statement (continued)

(1) Other cash received/paid related to operating/financing business (continued)

2) Other cash paid related to operating business

Item	For the year ended 2020	For the year ended 2019
Liquidation funds	113,286,307.99	185,071,577.77
Increase in deposit margin	349,703,814.84	112,458,376.68
Payment of operating and administrative expenses	247,367,702.44	280,761,817.68
Other business cost	1,223,407,762.41	581,172,268.50
Others	164,887,579.18	54,856,299.92
Total	2,098,653,166.86	1,214,320,340.55

3) Other cash paid related to financing business

Item	For the year ended 2020	For the year ended 2019
Cash paid for acquiring minority shareholders' equity	28,000,000.00	534,697,894.20
Cash paid to repay lease liabilities	77,920,515.87	50,207,973.56
Issuance fee paid for non-public offering of A-shares	27,534,113.64	
Total	133,454,629.51	584,905,867.76

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

58. Items of the cash flow statement (continued)

(2) Supplementary information on consolidated cash flow statement

Item	For the year ended 2020	For the year ended 2019
1. Reconciliation of net profit to cash flow from operating business:		
Net profit	102,119,090.37	75,082,868.42
Add:Provision for impairment of assets	376,802,325.85	359,458,757.46
Depreciation of investment Properties and fixed assets	33,738,149.11	35,488,504.00
Right-of-use asset depreciation	75,348,822.39	57,294,120.55
Amortization amount of intangible assets	31,145,351.42	27,566,690.33
Amortization of long-term deferred expenses	13,585,931.11	13,166,023.49
Losses on disposal of fixed assets, intangible assets and other long-term assets (or revenue: "-")	1,434,940.82	-22,496,021.53
Gains and losses from changes in fair value (or revenue: "-")	48,524,176.45	165,217,911.98
Interest expenses	459,039,225.10	514,502,333.94
Exchange losses (or revenue: "-")	3,348,221.20	2,411,060.48
Investment losses (or revenue: "-")	-268,978,988.13	-141,520,340.07
Decrease in deferred income tax assets (or increase:"-")	-120,245,657.79	-94,558,474.14
Increase in deferred income tax liabilities (or decrease:"-")	5,983,252.52	4,797,128.49
Decrease of operating receivable (or increase:"-")	892,744,752.34	2,440,370,122.42
Increase of operating receivable (or decrease "-")	-283,786,470.45	51,559,284.86
Net cash flow from operating business	1,370,803,122.31	3,488,339,970.68
2. Significant investing and financing business not related to cash receipts and payments:		
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Fixed assets rented in under finance leases		
3. Net increase/(decrease) in cash and cash equivalents		
Closing balance of cash	13,312,322,291.24	11,805,475,726.56
Less: Opening balance of cash	11,805,475,726.56	9,602,115,554.08
Add: Closing balance of cash equivalent		
Less: Opening balance of cash equivalent		
Net increase of cash equivalent and cash	1,506,846,564.68	2,203,360,172.48

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

58. Items of the cash flow statement (continued)

(3) Cash and cash equivalents

Item	For the year ended 2020	For the year ended 2019
Cash	13,312,322,291.24	11,805,475,726.56
Include: Cash in stock	185,324.40	249,129.05
Bank deposits available for payment	10,924,832,764.95	9,278,007,670.48
Other cash	9,142,683.42	9,802,121.58
Clearing settlement funds	2,378,161,518.47	2,517,416,805.45
Cash equivalent		
Include: bond investment maturing within three months		
Cash and cash equivalent at the end of the period	13,312,322,291.24	11,805,475,726.56

59. Assets with restricted ownership or use rights

Item	Book value as of 31 December 2020	Reasons
Cash and bank balances	12,955,424.86	Risk reserve account for asset management business
Financial assets at fair value through profit or loss	11,241,083,913.94	Sell outright or pledge for repurchase financing
	1,981,780,898.06	Pledge for bond lending
	193,466,175.35	Freeze due to resale declaration period
	220,030,319.58	Restricted by share reduction
	18,849,600.00	Restricted by block trading
	6,015,764.80	Securities loaned for shorting selling
Financial assets at fair value through other comprehensive income	295,212,638.37	Pledge for refinancing
	30,822,180.41	Pledge for bond lending
	648,270,856.18	Pledge for repurchase financing
Inventory	115,814,120.00	Pledge for warehouse financing

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

60. Entrusted asset management business

Item	Collective asset management business	Directional asset management business	Special asset management business
Entrusted funds at the beginning of the period	5,062,520,235.23	1,842,188,218.67	718,502,484.57
Including: Own capital investment	16,800,000.00		359,400,384.57
Individual clients	2,378,494,304.26		
Institutional clients	2,667,225,930.97	1,842,188,218.67	359,102,100.00
Entrusted funds at the end of the period	4,590,344,584.76	1,043,551,028.78	591,854,372.22
Including: Own capital investment	3,400,068.05		304,476,073.61
Individual clients	1,880,448,337.19		
Institutional clients	2,706,496,179.52	1,043,551,028.78	287,378,298.61
Initial cost of main entrusted assets at the end of the period	3,494,443,598.14	1,072,061,504.89	576,009,294.23
Including: Stocks	9,436,849.90	45,061,504.89	
National debt			
Other bonds	571,928,500.00		
Funds	232,327,650.72		69,294.23
Trust plans	2,638,990,000.00		
Others	41,760,597.52	1,027,000,000.00	575,940,000.00
Net income of asset management business in the current period	34,599,364.85	4,576,646.08	149,407.44

61. Foreign currency

Item	Amount of original currency as of 31 December 2020	Exchange rate	RMB amount as of 31 December 2020
Cash and bank balances	—	—	
Included: USD	25,157,835.54	6.5249	164,150,160.85
EUR	306,448.18	8.0033	2,452,606.37
HKD	208,837,441.73	0.8416	175,765,957.24
CAD	760.04	5.1203	3,891.63
AUD	47,229.09	5.0290	237,513.15
JPY	298,497.00	0.0632	18,877.20
THB	228,937.98	0.2174	49,779.75
Clearing settlement funds	—	—	
Included: USD	561,434.61	6.5249	3,663,300.30
HKD	10,576,244.99	0.8416	8,901,390.83
JPY	94,922.00	0.0632	6,002.95
MYR	98.31	1.6185	159.11
GBP	15.48	8.9057	137.86
EUR	20,000.00	8.0033	160,066.63
Refundable deposits	—	—	
Included: USD	70,000.00	6.5249	456,743.00
HKD	500,000.00	0.8416	420,820.00
Accounts receivable	—	—	
Included: HKD	52,023,500.01	0.8416	43,785,058.55
Other receivable	—	—	
Included: HKD	18,802,530.60	0.8416	15,824,961.85
Accounts payable to brokerage clients	—	—	
Included: USD	1,255,710.17	6.5249	8,193,383.29
HKD	146,553,031.54	0.8416	123,344,893.47
Short-term loans	—	—	
Included: HKD	375,430,771.92	0.8416	315,977,554.88
Other payable	—	—	
Included: HKD	129,821,483.15	0.8416	109,262,953.08

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

62. Overseas business entities

The consolidated statements of the Company in 2020 include overseas subsidiaries such as CCIFHC, Central China International Securities Co., Ltd., Central China International Futures Co., Ltd., Central China International Investment Co., Ltd., Central China International Financing Co., Ltd., Central China International Holdings Co., Ltd., Central China International Financial Group Ltd., Wending Zhongyuan Co., Ltd., etc. The assets and liabilities in the foreign currency balance sheet are exchanged at the spot exchange rate on the balance sheet date (1 HK $: 0.8416 RMB); the owner's equity items, except for the "undistributed profits", are exchanged at the spot exchange rate when the business occurs; the income and expense items in the income statement are exchanged at the approximate exchange rate of the spot exchange rate on the transaction date (the average exchange rate of the current year is 1HK $: 0.8893). The differences arising from the above exchanging of foreign currency statements shall be separately presented under the item of owners' equity. Foreign currency cash flows are exchanged using the approximate exchange rate of the spot exchange rate on the date of cash flow. The impact of exchange rate changes on cash shall be separately presented in the cash flow statement.

VII. CHANGES IN THE SCOPE OF CONSOLIDATED FINANCIAL STATEMENT

1. Consolidation of structured entities

On 29 April, 2020, CCIFHC, the subsidiary of the Company, invested US$1 to establish Wending Zhongyuan Company Limited, a special purpose company in the British Virgin Islands, which was included in the scope of consolidation of the Group this year.

VIII. INTERESTS IN OTHER ENTITIES

1. Interests in significant subsidiaries

The name of the Company	Type of company	Registered	Nature of business	The registered capital	Scope of business	The investment amount on 31 December, 2020	Shareholding ratio (%) Direct	Shareholding ratio (%) Indirect	Whether included in consolidated statements
A subsidiary acquired through a merger of an enterprise not under the same control									
Central China Futures Co., Ltd.	Company limited by shares	Zhengzhou	Futures brokerages in Mainland China	RMB330million	Commodity futures brokerage, financial futures brokerage, futures investment consulting, asset management	RMB188 million	51.36		Yes
Central China International Financing Co. Ltd.	Limited liability company	Hong Kong	Investment bank	HKD20 million	Sponsor underwriting, financial advisers	HKD344 million		100.00	Yes
A subsidiary acquired by means of establishment or investment									
Zhongding Kaiyuan Venture Capital Management Co., Ltd.(note)	Limited liability company	Beijing	Equity investment, etc	RMB680million	Using its own funds or setting up direct investment funds to make equity investment or debt investment in enterprises or to invest in other investment funds related to equity investment or debt investment;To provide clients with equity investment, debt investment related financial advisory services	RMB701 million	100.00		Yes
Henan Zhongzheng Kaiyuan Venture Capital Private Equity Fund Management Co., Ltd.	Limited liability company	Luoyang	Equity investment	RMB100 million	Manage or be entrusted to manage non-securities equity investments and related advisory services	RMB60 million		60.00	Yes
Yuxin Investment Managemwnt (shanghai) Co. Ltd	Limited liability company	Shanghai	Investment management	RMB100 million	Licensed projects: Hazardous chemicals management; Carry out risk management and other related businesses	RMB100 million		51.36	Yes
Central China Equity Exchange Co., Ltd. (Note)	Company limited by shares	Zhengzhou	Regional equity market	RMB350 million	To provide enterprises with such services as registration, custody, listing, transfer and financing of equity, creditor's rights and other equity assets;Investment and asset management;Financial consultant, corporate presentation, corporate presentation, training and consulting services	RMB122.5 million	35.00		Yes

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in significant subsidiaries (continued)

The name of the Company	Type of company	Registered	Nature of business	The registered capital	Scope of business	The investment amount on 31 December, 2020	Shareholding ratio (%) Direct	Shareholding ratio (%) Indirect	Whether included in consolidated statements
Central China Blue Ocean Investment Management Co., Ltd.	Limited liability company	Xuchang	Alternative investment	RMB3 billion	Investment in financial products, securities and equity with its own funds	RMB2.3 billion	100.00		Yes
Henan Central China Micro-lending Co., Ltd.	Limited liability company	Kaifeng	Microfinance	RMB1billion	In the administrative area of Henan Province: to handle various small loans;To provide consulting services for the development, management and finance of small and medium-sized enterprises;Investment of its own funds in accordance with the regulations	RMB650 million		65.00	Yes
Central China International Financial Holdings Co., Ltd.	Limited liability company	Hong Kong	Investment holding	HKD1billion	Investment holding	HKD1billion	100.00		Yes
Central China International Holdings Co., Ltd.	Limited liability company	British Virgin Islands	Holdings inc.	USD50,000	Investment holding	USD50,000		100.00	Yes
Central China International Financial Group Ltd.	Company limited by shares	The Cayman Islands	Investment holding	HKD1billion	Investment holding	HKD1.3billion		100.00	Yes
Central China International Securities Co., Ltd.	Limited liability company	Hong Kong	Securities brokerage	HKD600million	Securities brokerage, margin financing, proprietary bonds	HKD600million		100.00	Yes
Central China International Investment Co., Ltd.	Limited liability company	Hong Kong	The securities investment	HKD10million	Proprietary investment	HKD10million		100.00	Yes
Central China International Futures Co., Ltd.	Limited liability company	Hong Kong	Futures brokerages in Mainland China	HKD20million	Futures brokers	HKD20million		100.00	Yes
Wending Zhongyuan Co., Ltd.	Limited liability company	British Virgin Islands	Others	USD1	Special purpose company	USD1		100.00	Yes

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in significant subsidiaries (continued)

The name of the structured principal	Total share/ registered capital	Share held by the Company as of 31 December, 2020	Direct/ indirect investment
Huimin 1 collective asset management plan	48,288,169.54	50.00%	Indirect
Lianmeng 17 collective asset management plan	59,840,000.00	100.00%	Indirect
Zhongjing 1 collective asset management plan	181,650,000.00	100.00%	Indirect
Tianyuan 1 collective asset management plan	10,000,133.33	50.00%	Indirect
Henan zhongyuan science and innovation venture capital fund (limited partnership)	500,000,000.00	50.00%	Indirect
Henan zhongzheng kaiyuan venture capital fund (limited partnership)	81,000,000.00	15.00%	Indirect
Henan zhongzheng kaiyuan yucai agricultural venture capital fund (limited partnership)	100,000,000.00	20.00%	Indirect
Anyang purun high-tech industry investment fund (limited partnership)	45,000,000.00	13.00%	Indirect

Note 1: Central China Equity Exchange Co., Ltd. was established in 2015. The Company has signed a consensus action agreement with three other investors, through which the Company can control 51% of the equity of Central China Equity Exchange Co., Ltd.

Note 2: As of 31 December, 2020, Central China Blue Ocean Investment Management Co., Ltd. has a registered capital of 3 billion yuan and a paid-in capital of 2.256 billion yuan.

2. Significant non-wholly owned subsidiaries

Name of subsidiary	Minority shareholders' shareholding ratio	Profit and loss of minority interests for the year ended 2020	Dividends distributed to minority shareholders for the year ended 2020	Minority interests at 31 December 2020
Central China Futures Co., Ltd.	48.64%	8,814,867.44		213,805,165.49
Central China Equity Exchange Co., Ltd.	65.00%	17,595,031.69	5,434,020.00	227,840,893.64

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

3. Key financial information of significant non-wholly owned subsidiaries

	31 December 2020			For the year ended 2020		
Name of subsidiary	Total Asset	Total liabilities	Operating revenue	Net profit	Total comprehensive income	Net cash flows from operating business
Central China Futures Co., Ltd.	1,909,882,870.38	1,480,481,319.14	1,354,079,151.89	18,121,553.88	18,121,553.88	-107,950,595.16
Central China Equity Exchange Co., Ltd.	383,792,372.43	29,948,274.86	86,890,028.71	27,069,279.52	27,069,279.52	-39,512,190.67

4. Unconsolidated structured entities

Unconsolidated structured entities of the Company mainly include collective, targeted and special asset management plans, and limited partnership.

The total assets of unconsolidated collective, targeted and special asset management plans and limited partnership managed by the Group amounted to RMB6,064,571,388.61, RMB2,131,224,712.68, RMB626,623,695.41, and RMB1,078,780,244.78 as of 31 December 2020, respectively.

As of 31 December, 2020 the Group's interests in structured subjects not included in the consolidated financial statements are classified as transactional finanical asset, debt investment, management fee and commission receivable included in accounts receivable, the relevant book value and maximum risk exposure are as follows:

Item	31 December 2020	31 December 2019
Financial assets at fair value through profit or loss	1,328,580,602.71	1,178,746,268.72
Financial assets at amortized costs and receivable	487,750,503.80	668,788,140.85
Total	**1,816,331,106.51**	1,847,534,409.57

IX. RELATED PARITIES AND RELATED PARTY TRANSACTIONS

1. Related parties

(1) Controlling shareholder and the ultimate controller

1) Controlling shareholder and the ultimate controller

As of 31 December 2020, Henan Investment Group Co., Ltd.. Referred as "Henan Investment Group") directly holds 17.73% of the Company's voting shares, as controlling shareholder of the Company. The basic information of Henan investment group is as follows:

The controlling shareholder	The enterprise type	registered	Nature of business	Legal representative	Unified social credit code
Henan Investment Group	State-owned enterprises	Zhengzhou	Investment management	Xinyong Liu	914100001699542485

2) The registered capital of the controlling shareholder and its changes

The controlling shareholder	31 December 2019	Increase	Decrease	31 December 2020
Henan Investment Group	12,000,000,000.00			12,000,000,000.00

3) The shares directly held by the controlling shareholder and their changes

The controlling shareholder	Shareholding amount (ten thousand yuan)		Shareholding ratio (%)	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Henan Investment Group	82,298.38	82,298.38	17.73	21.271

4) The Controlling shareholders hold voting rights

As of the end of the reporting period, Henan Investment Group held 822,983,847 A-shares of the Company, directly held 46,733,300 H-shares of the Company through its wholly-owned subsidiary Dahe Paper (Hong Kong) Co., Ltd., and 83,454,400 H-shares of the Company through Hong Kong Stock Connect. Henan Investment Group holds a total of 953,170,800 shares of the Company and owns 20.53% of the Company's voting rights.

(2) The subsidiary

Please refer to VIII.1 "1. Interests in subsidiaries" in this note for details of the situation of the subsidiary.

IX. RELATED PARITIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

1. Related parties (continued)

(3) The associate company

The conditions of associated enterprises having related transactions with the Company in the current period are as follows:

Name	Relationship
Zhongzheng Jiaotong Fund Management Co., Ltd.	The associate invested by the subsidiary of the Company
Henan Dahe Cai Cube Media Holding Co., Ltd.	The associate invested by the subsidiary of the Company
Henan Longfengshan Agriculture and Animal HusbandryCo., Ltd.	The associate invested by the subsidiary of the Company
Henan Toushi Culture Communication Co., Ltd.	The associate invested by the subsidiary of the Company
Luoyang Desheng Biotechnology Co., Ltd.	The associate invested by the subsidiary of the Company

IX. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

1. Related parties (continued)

(4) Main related parties in the non-control relationship

Name	Relationship	Unified social credit code/organization code
Zhongyuan Trust Co., Ltd.	Under the control of the same controlling shareholder and ultimate controller	91410000169953018F
Henan Asset Management Co., Ltd.	Under the control of the same controlling shareholder and ultimate controller	91410000MA448PJU6H
Henan Tiandi Hotel Co. LTD	Under the control of the same controlling shareholder and ultimate controller	91410100594892586U
Henan Huirong Human Resources Management Co., Ltd.	Under the control of the same controlling shareholder and ultimate controller	91410105MA3X6PQ842
Henan Science and Technology Investment Co., Ltd.	Under the control of the same controlling shareholder and ultimate controller	91410000169955769X
Henan Chengfa Environment Co., Ltd.	Under the control of the same controlling shareholder and ultimate controller	91410000711291895J
Bohai Industry Investment Fund Management Co., Ltd.	The Company is a shareholder holding more than 5% of the shares	911200007178678241
Angang Group International Trade Co., Ltd.	Subsidiaries of non-controlling shareholders	91410500172267086K
Henan Yicheng New Energy Co., Ltd.	The associate invested by the Company	914102002681294387
Zhongyuan Bank Co., Ltd.	The associate invested by the Company	9141000031741675X6
Zhongyuan Environmental Protection Co., Ltd.	The associate invested by the Company	9141000016996944XD
Zhengzhou Bank Co., Ltd.	The associate invested by the Company	914100001699995779
Henan Huaqi Energy Conservation and Environmental Protection Venture Capital Co., Ltd.	The associate invested by the Company	91410000071384697T

IX. RELATED PARITIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

2. Related party transactions

(1) Commission income from securities agency services

Name of related party	For the year ended 2020	For the year ended 2019
Bohai Industry Investment Fund Management Co., Ltd.	170,704.58	124,803.44
Henan Investment Group and its subsidiaries and associated enterprises	246,038.79	20,724.87
Angang Group International Trade Co., Ltd.	4,202.49	
The Company and Henan Investment Group directors, supervisors, senior managers and their close relationship with family members	36,496.87	41,505.06

(2) Purchase of Trust Products

Name of related party	Related transaction content	Purchase trust balance	
		31 December 2020	31 December 2019
Central China Trust Co., Ltd.	Purchase trust of products	103,037,790.26	236,537,790.26

(3) Loans to related parties

Name of related party	31 December 2020/ For the year ended 2020		31 December 2019/ For the year ended 2019	
	Loan balance	Interest income	Loan balance	Interest income
Henan Longfengshan Agriculture and Animal Husbandry Co., Ltd.	45,000,000.00	5,075,164.97	45,000,000.00	5,018,772.40

IX. RELATED PARITIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

2. Related party transactions (continued)

(4) Associated current balance

Name of related party	Subject	Trading content	31 December 2020	31 December 2019
Henan Investment Group	Accounts receivable	Income from asset management business	1,309,786.65	287,809.94
Luoyang Desheng Biotechnology Co., Ltd.	Accounts receivable	Income from financial advisory business	450,000.00	

(Continue)

Name of related party	Subject	Trading content	31 December 2020
Associated company of investment group	Financial assets at fair value through profit or loss	Bank financing	7,000,000.00
Associated company of investment group	Bank balances	Bank balance	377,648,985.84
Associated company of investment group	Financial assets held under resale agreement	Outright repurchase	40,292,940.03
Associated company of subsidiary	Other assets	Expenses	302,672.95

IX. RELATED PARITIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

2. Related party transactions (continued)

(5) Other related transactions

Name	Related transaction content	For the year ended 2020	For the year ended 2019
Luoyang Jianlong Micro-Nano New Materials Co., Ltd.	Income from underwriting business		13,284,101.89
Henan Investment Group	Income from financial advisory business and asset management business	1,435,827.08	864,797.58
Henan Dahe Cai Cube Media Holding Co., Ltd.	Expenses	546,383.63	545,754.70
Henan Huirong Human Resources Management Co., Ltd.	Expenses	89,067.58	
Zhongzheng Jiaotong Fund Management Co., Ltd.	Expenses	97,000.00	
Henan Tiandi Hotel Co.,Ltd.	Expenses	40,321.58	223,441.46
Henan Toushi Culture Communication Co.,Ltd.	Expenses	19,801.98	194,174.76
Luoyang Desheng Biotechnology Co., Ltd.	Income from investment banking supervision services and financial advisory business	141,509.43	141,509.43
Zhumadian Baiyun Paper Industry Co., Ltd.	Income from financial advisory business		37,735.85
Central China Trust Co., Ltd.	Income from financial advisory business and asset management business		1,821,063.85
Henan Asset Management Co., Ltd.	Income from underwriting business		437,735.85
Bohai Industry Investment Fund Management Co., Ltd.	Income from financial advisory business	372,539.60	
Zhengzhou Dahe Zhixin Technology Co., Ltd.	Income from trusteeship business	9,749.92	
Henan Chengfa Environment Co., Ltd.	Income from underwriting business	3,628,661.86	

(Continue)

Name of related party	Related transaction content	For the year ended 2020
Associated company of investment group	Interest income on bank savings	3,947,913.14
Associated company of investment group	Financial advisory fee income	3,773,584.90
Associated company of investment group	Bond investment income	1,498,186.40
Associated company of investment group	Pledged repurchase interest expense	434,840.05
Associated company of investment group	Outright repurchase interest income	163,908.08
Associated company of investment group	Interest expense on bank loans	67,534.46

IX. RELATED PARITIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

2. Related party transactions (continued)

(6) Counter guarantee provided to the subsidiary

As of 31 December, 2020, the Company provided a counter-guarantee for CCIFHC to China Merchants Bank Co., Ltd. Zhengzhou Zhengdong New District Ring Road Sub-branch. The cumulative counter- guarantee amount was HKD335,000,000.00 (equivalent to RMB281,949,400.00). The period of counter- guarantee shall not exceed 12 months.

(7) Key management personnel

1) Remuneration of key management personnel

Key management personnel include members of the board of directors and the board of supervisors and other senior management personnel. In 2020, the remuneration (after tax) paid and payable by the Company to the key management personnel are as follows:

Expressed in RMB'0000

Item	For the year ended 2020	For the year ended 2019
Remuneration of key management personnel (after tax)	**1,809.12**	1,089.44

IX. RELATED PARITIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

2. Related party transactions (continued)

(7) Key management personnel (continued)

2) Remuneration of directors and supervisors

The remuneration (after tax) paid and payable by the Company to directors and supervisors in 2020 is as follows:

Name	Remuneration	Wages, allowances and other subsidies	Pension	Discretionary bonus	Total
Executive director					
Mingjun JIAN		508,685.81	39,626.40	241,410.00	789,722.21
Junsheng CHANG		945,392.14	39,626.40	974,596.18	1,959,614.72
Non-Executive Director					
Zhiwei YUAN	226,920.00				226,920.00
Jincheng NING	210,000.00				210,000.00
Xugang YU	210,000.00				210,000.00
Dongming ZHANG	210,000.00				210,000.00
Zhengxin LU	35,136.00				35,136.00
Lixin WANG	30,720.00				30,720.00
Xiaoqi ZHANG	30,720.00				30,720.00
Supervisor					
Zhili LU		391,065.35	37,171.20	532,934.65	961,171.20
Yichen XIAO		354,677.42	16,447.20	108,210.00	479,334.62
Lu ZHANG		463,367.20	29,832.00	162,750.00	655,949.20
Huamin ZHANG		35,994.41		217,410.00	253,404.41
Siying XIANG	100,800.00				100,800.00
Xiaoning XIA	112,920.00				112,920.00

Note: The 2020 remuneration of the aforementioned directors and supervisors has not been finalized, but it is expected that the unappropriated remuneration will not have a significant impact on the Group's 2020 financial statements.

IX. RELATED PARITIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

2. Related party transactions (continued)

(7) Key management personnel (continued)

3) Top 5 highest paid individuals

In 2020, the five highest paid persons of the Company have no directors and supervisors. The remuneration (after tax) paid and payable are as follows:

	For the year ended 2020	For the year ended 2019
Wages, allowances and other subsidies	**2,237,985.88**	2,931,588.66
Pension	**147,787.20**	165,372.25
Discretionary bonus	**11,532,816.66**	9,520,849.74
Total	**13,918,589.74**	12,617,810.65

4) Loans and advances from key management personnel

At the end of the reporting period, the Company did not issue loans or advances to members of the board of directors, the board of supervisors and other senior management personnel.

X. RISK MANAGEMENT OF FINANCIALINSTRUMENTS

1. Overview

The Group's risk management objective is to uphold the risk management philosophy of matching capital, risks and returns, to take appropriate risks, to achieve the optimal balance of business scale, profitability and risk tolerance, and to bring sustainable and stable returns to shareholders. The Group's risk management strategy is to identify and assess a variety of risks to which the Group is exposed to, set an appropriate risk tolerance level, measure and supervise risks in a timely and reliably to ensure that risks are controlled within acceptable limits.

Financial risks to which the Group is exposed to mainly include: credit risk, market risk, liquidity risk, operational risk, compliance risk and information technology risks, etc.. The Group has adopted risk management policies and procedures to identify and analyse these risks and defined appropriate risk indicators, risk limits, risk policies and internal control procedures, and constantly monitors and manages risks through its IT systems.

The financial risk management framework is structured into four levels consisting of (i) Board of Directors and Board of Supervisors; (ii) Risk Control Committee, Audit Committee and Managers; (iii) Compliance Management Headquarters, Legal Affairs Headquarters, Risk Management Headquarters, Internal Auditing Headquarters; and (iv) Business and management departments, branch outlets and subsidiaries.

X. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

1. Overview (continued)

Level 1: Board of Directors and Board of Supervisors

The Board of Directors is at the highest level of the Company's risk control framework and has the ultimate responsibility for establishing a compliant and effective risk control environment. The Board is responsible for developing the Company's overall risk control objectives, risk control policies and internal control system, improving the governance structure and tiered authority delegation system, and specifying the direction and scope of the Company's risk control work, and authorize relevant management departments to exercise the executive power.

The board of supervisors assumes the responsibility of overseeing the overall risk management, with the core of supervising the company's business and management business in compliance with laws and regulations and overseeing the company's finances, including monitoring the performance of risk control duties of the Company's directors, senior management and relevant responsible persons, safeguarding the Company's assets, and minimizing financial and legal risks the Company faces in carrying out its business operations, so as to protect legal rights and interests of the Company and its shareholders.

Level 2: Risk Control Committee, Audit Committee and Managers

Risk Control Committee, Audit Committee and Managers are the second level of the Company's risk control framework, and is responsible for preparing the comprehensive annual report on risk control; reviewing risk control strategies and significant risk control solutions; reviewing judgment criteria for major decisions, significant risks, major events and key business processes and the risk evaluation report for major decision-making; reviewing risk control evaluation report submitted by the Risk Management Department; reviewing the organization structure and roles and responsibilities for risk control, as well as other matters as delegated by the Board of Directors. The managers assume primary responsibility for overall risk management, formulate and adjust the Company's risk management system; establish and improve the Company's comprehensive risk management business management structure, clarify the division of responsibilities of comprehensive risk management functional departments, business departments and other departments in risk management, establish an effective check-and-balance and mutually coordinated operating mechanism between departments; formulate specific implementation plans for risk appetite, risk tolerance, and major risk limits to ensure their effective implementation; the main point of risk oversight and timely analysis of the reasons, and processed under the authority of the board of directors; regularly assess the company's overall risk management and all kinds of important risk situation, risk management to solve the problems in the report to the Board; establish a performance appraisal system covering the effectiveness of risk management; establish a complete information technology system and data quality control mechanism.

Level 3: Compliance Management Headquarters, Legal Affairs Headquarters, Risk Management Headquarters, Internal Auditing Headquarters

At the third level of the Company's risk control framework is the collaborative comprehensive risk management arrangement through which the Compliance Management Headquarters, Legal Affairs Headquarters, Risk Management Headquarters, Internal Auditing Headquarters work together to manage risks.

X. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

1. Overview (continued)

The Compliance Management Headquarters assists the Chief Compliance Officer to formulate compliance policies and compliance rules and procedures, supports the implementation of compliance policies and procedures, provides recommendations and advice on compliance to the management, branch outlets and subsidiaries, and monitors compliance with laws and regulations in the Company's business and management business. It also drives business departments, branch outlets and subsidiaries to evaluate, develop, revise, update and improve their internal procedures and business processes to reflect changes in the laws, regulations and standards; conducts compliance pre-clearance on internal management rules and procedures, major decisions, new products, new business offerings and major business; perform regular and temporary reporting obligations to regulatory authorities, and be responsible for controlling compliance risks faced by the company and related businesses.

The main responsibilities of the Legal Affairs Headquarters: under the leadership of the Company's board of directors and the board of supervisors, assist the Company's managers to build a legal management system and legal risk prevention mechanism, participate in the Company's major economic business, provide legal opinions for major business decisions, and be responsible for Company contract management, litigation and arbitration management and asset preservation, responsible for the selection, management, and evaluation of the Company's legal consultants and other intermediaries that provide legal services, and provide legal support and consulting services for the Company's business management and the business development of various departments and branches, and organize the development legal education and training, organize and implement the prevention of illegal fund-raising, guide and coordinate affiliated enterprises to carry out legal risk prevention.

Risk Management Headquarters carries out risk control business in accordance with risk control objectives and policies laid down by the Board of Directors; provides recommendations to the Risk Management Committee for improving the Company's risk control environment in terms of risk control policies, objectives, corporate governance structure and internal controls; formulates risk management rules and procedures for the Company, supports the review of risk management rules and procedures, measures, risk management processes and risk control indicators developed by each business and management departments, and continuously supplements, improves and updates risk control policies to help establish sound comprehensive corporate risk control mechanisms across the Company; identifies, assesses, and monitors various risks in business operations and transactions, and on this basis, establish and improve the cycle processing and feedback process of risk policy, risk identification, risk assessment and measurement, risk control, risk monitoring, risk reporting and analysis; regularly inspect, monitor, and evaluate the implementation of risk control systems and procedures by various departments, branches and subsidiaries, and if necessary, conduct regular or irregular inspections on the implementation of risk control, and deal with the risks found in a timely manner And implement relevant reporting procedures; establish communication and cooperation in risk control with various departments, branches and subsidiaries.

Internal Auditing Headquarters has overall responsibility for the internal audit function, including organising comprehensive audits across the Company, monitoring the implementation of and compliance with internal control rules and procedures, minimizing ethical and policy risks and assisting the investigation of emergencies.

X. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

1. Overview (continued)

Level 4: Business and management departments, branch outlets and subsidiaries

The fourth level of risk control is the front-line risk control systems by business departments branch outlets and subsidiaries, which are responsible for developing their own internal control system and risk control measures, ensuring proper risk control within their jurisdiction, and reporting risk issues in a timely manner to the Risk Management Department or Compliance Management Department.

The Group adopts the above risk management framework and continuously improves its risk control to ensure that the risks are measurable and controlled within acceptable limits.

2. Credit risk

Credit risk refers to the risk of losses due to defaults by financing parties, counterparties or issuers. The Company's credit risks mainly come from financial assets which include bank balances, clearing settlement funds, financial assets at fair value through other comprehensive income, financial assets held under resale agreements, financial assets at amortized costs, margin accounts receivable, entrusted loans, other current assets and refundable deposits.

The Group's bank balances are mainly deposited with state-owned commercial banks or joint-stock commercial banks, while clearing settlement funds are deposited in the China Securities Depository and Clearing Corporation Limited, with a relatively low level of credit risk.

In terms of proprietary trading, if the transaction is through a stock exchange or China Securities Depository and Clearing Corporation Limited the default risk of counterparty is low, but for inter-bank market transactions, the Group will assess the counterparties and only select those with an accepted credit rating. The Company invests in debt securities with acceptable credit ratings and monitors the operations and credit ratings of the issuers.

Margin financing assets include advances to margin customers and securities lent to customers. Credit risks associated with these financial assets mainly relate to customers' inability to repay the principal, interest or securities borrowed. The Group supervises finance trading accounts on an individual customer basis, and would require additional margin, cash collateral or securities if necessary. Margin accounts receivable are monitored based on collateral rates to ensure that the value of collateral assets is sufficient to cover the advance. The collateral value of the Group's customers is sufficient to cover the credit risk of margin financing assets on 31 December, 2020 and 31 December, 2019.

The Group's credit risk also arises from the securities and futures brokerage business. If a customer fails to deposit sufficient trading funds, the Group may use their own funds to complete the settlement. The Group requires customers to deposit all cash required in trading before it settles on behalf of customers, so as to mitigate and manage the credit risk properly.

The Group enters into entrusted lending business as part of the financial assets measured at amortized cost. Credit risk management approaches over those loans and advances to customers include project initiation, due diligence, internal assessment, decision-making and post-lending monitoring. The Group assesses both the borrowers' credit risk and the rewards and sets risk mitigation measures such as guarantee. Loans and advances to customers are approved by the authorised approvers. The Group constantly monitors the entrusted funds. Key negative indications that may have impact on the borrowers' solvency are reported timely, and the Group takes action accordingly to control the risks

X. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

2. Credit risk (continued)

The Group invests in financial product, trust plan, asset management plan with proper approval process.

Control of credit risk from securities financing business is realized primarily through risk education for customers, credit investigation and verification on customers, credit management, risk assessment on collateralized (pledged) securities, reasonable setting of indication of defaulting customers, financing of customers with insufficient guaranteed securities and normal customers, the Company will perform the provision for impairment in accordance with prudential principles by complying with the accounting standards of China Accounting Standards for Business Enterprises 22.

Expected credit loss measurement

Since the first implementation of the new financial instrument standards on 1 January, 2018, for financial assets measured at amortized cost (including margin accounts receivable, financial assets held under resale agreements, financial instruments measured at amortized cost) and financial assets instruments at fair value through other comprehensive income. The Company use general methods to measure its expected credit losses, models and assumptions are used in the measurement of expected credit losses. These models and assumptions relate to future macroeconomic conditions and customer credit behaviour (for example, the likelihood of customer default and associated losses). The Company uses a simple method to measure the expected credit losses of accounts receivable and other receivable. According to the simple method, the Company measures the loss provision based on the expected credit losses of the entire duration

For financial assets that use general methods to measure expected credit losses, the Company uses an impairment model in which the credit quality of the financial assets has changed in three stages since the initial recognition of the financial assets to measure the expected credit losses respectively, including:

— A financial instrument that is not credit-impaired on initial recognition is classified in “Stage 1”and has its credit risk continuously monitored by the Company;

— If a significant increase in credit risk (“SICR”) since initial recognition is identified, but it will not be regarded as the instrument for credit impairment, the company will transfer it to “Stage 2”.

— If the financial instrument is credit-impaired, the financial instrument is then moved to “Stage 3”.

Stage 1: The Company measures the loss allowance for a financial instrument at an amount equal to the next 12 months ECL; Stages 2 and 3: The Company measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL. Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition and the Company has measured the loss allowance for such a financial instrument at an amount equal to the lifetime ECL.

For such financial assets classified under Stages 1 and 2, management assesses credit loss allowances using the risk parameter modelling approach that incorporates key parameters, including probability of default (“PD”), loss given default (“LGD”) and exposure at default (“EAD”). For credit-impaired financial assets classified under Stage 3, management assesses the credit loss allowances by estimating the cash flows expected to arise from the financial assets after taking into consideration forward looking factors.

X. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

2. Credit risk (continued)

Expected credit loss measurement (continued)

The measurement of ECL adopted by management according to China Accounting Standards for Business Enterprises, involves judgements, assumptions and estimations, including: determination of the criteria for SICR; selection of the appropriate models and assumptions; establishment of the number and relative weightings of forward-looking scenarios for each type of product.

Measuring ECL — inputs, assumptions and estimation techniques

The ECL are measured on either a 12-month (12M) or Lifetime basis depending on whether SICR has occurred since initial recognition or whether an asset is considered to be credit-impaired.

The Company takes full account of forward-looking information when measuring ECL. ECL is the result after discounting the product of PD, LGD and EAD that takes into account the forward-looking impact.

— PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. For margin loan financing, the Company determines the PD by borrower, based on factors including the coverage ratio of margin loans to underlying collateral value and, the volatility of such collateral's valuation. For debt securities investments, the external credit rating and related PD are taken into consideration.

— Loss Given Default (LGD) represents the Company's expectation of the extent of loss on a defaulted exposure. For margin loan financing, the Company determines LGD, based on factors including the realizable value of collateral upon forced liquidation taking into consideration the estimated volatility over the realization period. For debt securities investments, LGD is determined based on assessed publicly available information from credit rating agencies, and the type of securities.

— EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).

The criteria of significant increase in credit risk

The Company evaluates the financial instruments at each financial statement date after considering whether SICR has occurred since initial recognition. An ECL allowance for financial assets is recognized according to the stage of ECL, which reflects the reasonable information and evidence available about the SICR and is also forward-looking. The Company considers a financial instrument to have experienced SICR when one or more of the following quantitative, qualitative or backstop criteria have been met.

The Company considers margin financing to have experienced SICR if margin calls were triggered by a decrease of the ratio of margin loan to collateral below liquidation line.

A financial instrument is considered to have experienced SICR if the borrower or the debtor is overdue for more than 30 days after the contract payment date.

X. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

2. Credit risk (continued)

The criteria of significant increase in credit risk (continued)

The Company has used the low credit risk exemption for financial instruments, such as cash and bank accounts, settlement reserve, refundable deposits, financial assets held under resale agreements for the year ended 31 December, 2020 and no longer compared whether the credit risk on the balance sheet date increased significantly compared with that at the time of initial recognition.

Definition of credit-impaired assets

The Company considers whether a financial instrument is credit-impaired according to IFRS 9 based on criteria, which is consistent with the internal credit risk management practice. The consideration includes quantitative criteria and qualitative criteria. The Company defines a financial instrument as credit-impaired, which is fully aligned with the definition of in default, when it meets one or more of the following criteria:

— The borrower is more than 90 days past due on its contractual payments;

— For margin financing and stock-pledged repurchase agreements, a forced liquidation of a client's position triggered when the collateral valuation falling short of the related loan amounts;

— The latest external ratings of issuers of debt securities or debt securities themselves are in default grade;

— The debtor is in significant financial difficulty;

— An active market for that financial asset has disappeared because of financial difficulties;

— Concessions have been made by the lender relating to the debtor's financial difficulty;

— It is becoming probable that the debtor will enter bankruptcy or other financial restructure.

When a financial asset is considered to be credit-impaired, it may be from multiple events, not due to a separately identifiable event.

Forward-looking information

The assessment of SICR and the calculation of ECL incorporate forward-looking information. The Company has analyzed historical data and identified the economic variable impacting credit risk and ECL for each financial instrument portfolio. The impact of the economic variable on the PD has been determined by performing historical statistical regression analysis to forecast the expected changes in the variable on default rates.

X. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

2. Credit risk (continued)

Forward-looking information (continued)

In addition to the base economic scenario, the Company also identifies other possible scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure non-linarites are captured. The number of scenarios and their attributes are reassessed at each financial statement date.

As at 31 December, 2019 and 31 December, 2020, for all portfolios the Company concluded that three scenarios appropriately captured non-linarites of economic variable. The scenario weightings are determined by a combination of statistical analysis and experts' judgement, taking account of the range of possible outcomes represented by each scenario

The assessment of SICR is performed using the Lifetime PD under each of the base, and the other scenarios, multiplied by the associated scenario weighting, along with qualitative and backstop indicators. The Company measures ECL as either a probability weighted 12 month ECL (Stage 1), or a probability weighted lifetime ECL (Stage 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes.

Sensitivity analysis

The allowance for credit losses is sensitive to the inputs used in internally developed models, macroeconomic variable in the forward-looking forecasts, economic scenario weighting and other factors considered when applying expert judgment. Changes in these inputs, assumptions and judgments impact the assessment of SICR and the measurement of ECL.

Collateral and other credit enhancements

The Company employed a range of policies and credit enhancements to mitigate credit risk exposure to an acceptable level. The most common of these is accepting collateral for funds advanced or guarantees. The Company determined the type and amount of collaterals according to the credit risk evaluation of counterparties. The collaterals under margin financing and purchase and resale agreements are primarily stocks, debt securities, funds etc. Management will exercise margin calls according to related agreements based on the market value fluctuation of collaterals.

X. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

2. Credit risk (continued)

Maximum credit risk exposure:

The Group's financing business customers have considerable asset quality. Exceed 90% of the Margin accounts receivable and bond reverse repurchase business maintain guarantee ratios above the liquidation line, and there is sufficient collateral information to indicate that the assets are not expected to default.

The maximum credit risk exposure of the Group is as follows:

Expressed in RMB'0000

Item	31 December 2020	31 December 2019
Cash and bank balances	1,095,113.10	933,174.86
Clearing settlement funds	237,910.01	251,804.95
Margin accounts receivable	740,075.71	606,074.02
Derivative financial assets		1,138.41
Refundable deposits	74,487.87	39,516.97
Accounts receivable	16,932.35	15,391.23
Financial assets held under resale agreement	205,596.49	302,388.85
Financial assets at fair value through profit or loss	2,029,715.88	1,399,492.25
Financial instruments at amortized costs	45,616.89	67,638.99
Financial instruments at fair value through other comprehensive income	208,880.51	66,469.53
Other assets	132,664.80	141,676.95
Total	4,786,993.61	3,824,767.01

X. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

2. Credit risk (continued)

Credit quality

The credit quality of each financial asset item is as follows on 31 December, 2020

Expressed in RMB'0000

Item	Stage 1	Stage 2	Stage 3	Total
Loans and entrusted loans	70,759.82	4,946.78	29,573.21	105,279.81
Margin accounts receivable	733,079.93	8,619.48	5,933.70	747,633.11
Financial assets at fair value through other comprehensive income	197,339.60		11,540.91	208,880.51
Financial instruments at amortized costs	2,121.56		59,267.80	61,389.36
Financial instruments held under resale agreement	141,110.83		91,179.89	232,290.72
Subtotal	1,144,411.74	13,566.26	197,495.51	1,355,473.51
Less: Provision for impairment	2,931.41	225.59	71,261.30	74,418.30
Total	1,141,480.33	13,340.67	126,234.21	1,281,055.21

3. Market risk

Market risk refers to the risk of the fair value of financial instruments held due to adverse changes in market prices, including stocks and derivatives, interest rate risk, price risk, exchange rate risk, etc. Since the Company's main positions are self-operated investments, the price risk and interest rate risk of stocks and derivatives have a greater impact on the investment business.

In terms of market risk, the Company follows the principles of soundness and prudence, accurately defines, uniformly measures and prudently evaluates the market risk the Company bears. For the directional investment business, the company adheres to a risk-controllable and moderate-scale risk management strategy, and assumes a moderate-scale risk position.

(1) Interest rate risk

Interest rate risk refers to the risk of fluctuations in the financial status and cash flow of the Group due to changes in market interest rates. The interest-earning assets of the Group affected by changes in market interest rates are mainly bank deposits, clearing settlement funds, refundable deposits, and debt investments.

The Group utilizes sensitivity analysis as the main tool for monitoring interest rate risk. Under the assumption that other variables remain unchanged, sensitivity analysis is adopted to measure the possible impact on total profits and shareholder equity when changes in interest rates occur. The Group's bond investment is mainly based on a steady buy-and-hold strategy and a spread arbitrage strategy. The proprietary business magnification, bond rating and duration are controlled to prevent and reduce interest rate risks.

X. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

3. Market risk (continued)

(1) Interest rate risk (continued)

The table below presents the residual maturities of the Group's financial assets and liabilities before their contractual re-pricing dates or their maturity dates (whichever are earlier):

Expressed in RMB'0000

	31 December 2020						
Item	**Within 1 month**	**1–3 months**	**3 months to 1 year**	**1–5 years**	**Above 5 years**	**Non-interest bearing**	**Total**
Cash and bank balances	1,095,094.57					18.53	1,095,113.10
Clearing settlement funds	237,910.01						237,910.01
Margin accounts receivable	60,815.68	211,904.24	467,355.79				740,075.71
Derivative financial assets							
Refundable deposits						74,487.87	74,487.87
Accounts receivable						16,932.35	16,932.35
Financial assets held under resale agreement	126,178.03	441.47	73,955.86	5,021.13			205,596.49
Financial assets at fair value through profit or loss	34,198.68	15,747.64	458,734.50	1,147,611.52	297,037.16	305,927.75	2,259,257.25
Financial assets at amortized costs	43,497.64	1,120.40	599.56	399.29			45,616.89
Financial assets at fair value through other comprehensive income	5,122.99	11,068.17	182,048.99	10,640.36			208,880.51
Other assets	2,911.85	7,546.79	59,521.86	2,602.62	1,365.29	38,988.56	112,936.97
Financial assets subtotal	1,605,729.45	247,828.71	1,242,216.56	1,166,274.92	298,402.45	436,355.06	4,996,807.15
Short-term loans	31,597.76						31,597.76
Short-term financing instruments payable	8,641.78	79,201.92	327,622.08				415,465.78
Loans from other financial institutions	249,362.49	120,079.33					369,441.82
Financial liabilities at fair value through profit or loss	77,898.63			57,724.03			135,622.66
Financial assets sold under repurchase agreements	1,200,220.82	19,810.00					1,220,030.82
Accounts payable to brokerage clients	968,441.40					87,081.66	1,055,523.06
Derivative financial liabilities						5.80	5.80
Bond payable				461,025.03			461,025.03
Accounts payable						6,587.46	6,587.46
Long-term borrowings				100.17			100.17
Other liabilities						25,339.27	25,339.27
Financial liability subtotal	2,536,162.88	219,091.25	327,622.08	518,849.23		119,014.19	3,720,739.63
Interest rate sensitivity gap	-930,433.43	28,737.46	914,594.48	647,425.69	298,402.45	317,340.87	958,726.65

X. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

3. Market risk (continued)

(1) Interest rate risk (continued)

(continued)

	31 December 2019						
Item	Within 1 month	1–3 months	3 months to 1year	1–5 years	Above 5 years	Non-interest bearing	Total
Cash and bank balances	925,150.04		7,000.00	1,000.00		24.82	933,174.86
Clearing settlement funds	251,804.95						251,804.95
Margin accounts receivable	28,289.12	145,001.72	432,783.18				606,074.02
Derivative financial assets						1,138.41	1,138.41
Refundable deposits						39,516.97	39,516.97
Accounts receivable						15,391.23	15,391.23
Financial assets held under resale agreement	237,398.98	18,136.71	45,532.17	1,320.99			302,388.85
Financial assets at fair value through profit or loss	30,902.88	60,129.91	285,344.95	806,213.58	225,724.04	314,386.50	1,722,701.86
Financial assets at amortized costs	47,999.22	12,444.84	6,170.13	1,024.79			67,638.98
Financial assets at fair value through other comprehensive income			20,400.07	25,134.41	20,935.05		66,469.53
Other assets	29,462.24	10,008.15	59,991.70	7,824.10	1,516.39	20,391.26	129,193.84
Financial assets subtotal	1,551,007.43	245,721.33	857,222.20	842,517.87	248,175.48	390,849.19	4,135,493.50
Short-term loans	8,581.11	29,934.68	118,359.00				156,874.79
Short-term financing instruments payable	18,781.88	13,384.63	413,378.20				445,544.71
Loans from other financial institutions	236,115.96						236,115.96
Financial liabilities at fair value through profit or loss	74,315.30			37,139.94			111,455.24
Financial assets sold under repurchase agreements	771,910.20	40,079.47	60,119.20				872,108.87
Accounts payable to brokerage clients	797,590.10					91,916.59	889,506.69
Derivative financial liabilities						8.37	8.37
Bond payable				462,394.04			462,394.04
Accounts payable						19,099.24	19,099.24
Long-term borrowings				1,320.30			1,320.30
Other liabilities						34,601.60	34,601.60
Financial liability subtotal	1,907,294.55	83,398.78	591,856.40	500,854.28		145,625.80	3,229,029.81
Interest rate sensitivity gap	-356,287.12	162,322.55	265,365.80	341,663.59	248,175.48	245,223.39	661,240.30

X. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

3. Market risk (continued)

(2) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's price risk exposure mainly relates to investments in equity, securities, investment funds, convertible bonds, derivatives and collective asset management plans whose values will fluctuate as a result of changes in market prices. These investments are all investments in the domestic capital markets. The Group is subject to relatively high market risk due to the high volatility of the domestic stock markets.

The Group's price risk management policy requires setting and managing investment objectives. The directors of the Group manages price risk by holding an appropriately diversified investment portfolio, setting limits for investments in different securities and closely monitoring the portfolio of investments to reduce the risk of concentration in any one specific industry or issuer. The Group uses derivatives contracts to economically hedge against certain exposures arising from its investment portfolio.

The analysis below shows the impact on profit before income tax and other comprehensive income before income tax due to change in the prices of stocks, bonds, funds, convertible bonds, derivatives and collective asset management plans by 10%, assuming all other variables remain unchanged. A positive result indicates an increase in profit before income tax and other comprehensive income before income tax, while a negative result indicates otherwise.

Expressed in RMB'0000

	31 December 2020		31 December 2019	
Item	**Profit before income tax**	**Other comprehensive income before income tax**	Profit before income tax	Other comprehensive income before income tax
Increase by 10%	**23,385.33**	**20,888.05**	25,576.09	6,470.86
Decrease by 10%	**-23,385.33**	**-20,888.05**	-25,576.09	-6,470.86

(3) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Group's foreign currency asset conversion ratio to the total assets is 2.97%, and the foreign currency liability conversion ratio to the total liabilities is 3.40%. Due to the low proportion of foreign currency in the Group's assets and liabilities and income structure, the exchange rate risk has little impact on the Group's current operation as of 31 December 2020.

X. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

4. Liquidity risk

Liquidity risk refers to the risk that the Group cannot obtain sufficient funds in time at a reasonable cost to meet the maturing debts, fulfill other payment obligations and meet the capital needs of normal business.

The Group has established an internal risk reporting system to enable the company to keep abreast of the liquidity risk situation in the company's operations and take measures to promote the company's safe and stable continuous operations.

Since most of the Group's current assets are bank deposits and clearing settlement funds, it has a strong ability to pay for financing commitments or customer withdrawal needs. The Company always adheres to the unified operation and management of funds, and continuously strengthens the construction of the fund management system. The fundraising and use of funds need to be approved by the authorized manager and the fund operation headquarters. Large-scale fund operations require the company's shareholders meeting and board of directors to make decisions. For business development and debt repayment, real-time monitoring and management of large amounts of funds will be strengthened to achieve centralized fund allocation and coordination. Through entering the inter-bank market and capital market, the difference in fund lending, bond repurchase, refinancing, obtaining bank credit, issuing short-term financing bills, short-term securities company bonds, corporate bonds, subordinated bonds, refinancing, and developing other different sources of liquidity to meet liquidity needs in a timely manner. The Company adopts a risk monitoring system centered on net capital and liquidity to monitor risk control indicators, and uses stress tests to evaluate the impact of business on risk control indicators such as net capital, liquidity coverage ratio, and net stable capital ratio.

X. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

4. Liquidity risk (continued)

The financial liabilities held by the Company are analyzed based on the undiscounted remaining contractual obligations due period as follows:

Expressed in RMB'0000

	31 December 2020							
Non-derivative financial liabilities	**On demand**	**Within 1 month**	**1–3 months**	**3 months to 1 year**	**1–5 years**	**Above 5 years**	**Undated**	**Total**
Short-term loans		31,644.25						31,644.25
Short-term financing instruments payable		8,655.70	79,686.52	334,574.57				422,916.79
Loans from other financial institutions		249,466.89	120,847.99					370,314.88
Financial liabilities at fair value through profit or loss		77,898.63			57,724.03			135,622.66
Financial assets sold under repurchase agreements		1,200,820.87	19,829.62					1,220,650.49
Accounts payable to brokerage clients	87,081.66	968,441.40						1,055,523.06
Bond payable					493,795.39			493,795.39
Accounts payable							6,587.46	6,587.46
Long-term borrowings					106.11			106.11
Other liabilities							25,339.27	25,339.27
Total	87,081.66	2,536,927.74	220,364.13	334,574.57	551,625.53		31,926.73	3,762,500.36

(continued)

	31 December 2019							
Non-derivative financial liabilities	On demand	Within 1 month	1–3 months	3 months to 1 year	1–5 years	Above 5 years	Undated	Total
Short-term loans		8,589.55	30,155.62	125,482.52				164,227.69
Short-term financing instruments payable		6,119.56	6,312.71	452,474.33				464,906.60
Loans from other financial institutions		236,138.37						236,138.37
Financial liabilities at fair value through profit or loss		74,315.30			37,139.94			111,455.24
Financial assets sold under repurchase agreements		771,908.44	40,265.10	62,958.90				875,132.44
Accounts payable to brokerage clients	91,916.59	797,590.10						889,506.69
Bond payable					483,770.00			483,770.00
Accounts payable							19,099.24	19,099.24
Long-term borrowings					1,471.34			1,471.34
Other liabilities							34,601.60	34,601.60
Total	91,916.59	1,894,661.32	76,733.43	640,915.75	522,381.28		53,700.84	3,280,309.21

X. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

5. Operational risk

Operational risk is the risk of loss to the Group due to the imperfection or failure of personnel, internal procedures and systems, as well as the impact of external events.

The Group emphasizes the matching of business scale, profit and risk management ability, and does not sacrifice the control of operational risk for the pursuit of profit. The Group emphasizes to carry out the business of various securities companies under the premise of sound control of operational risks. In the case of cost permitting, the Group will continue to strengthen the operational risk management system and implement the internal control system. Through strengthening the internal control mechanism, the operation risk under the given business income is minimized.

During the reporting period, the Group optimized and upgraded its operational risk management system, and formed a specific management plan for combing and evaluating operational risk processes, key risk control indicators, and collection of operational risk loss events, focus on the process of credit risk business and market risk business of the company and its subsidiaries, and set key risk control indicators, and through operational risk management, promote the Company's effective identification and control of the risk accumulation of "high frequency and low loss" operational risk events, the probability of occurrence of "low frequency and high loss" operational risk events, and the timeliness of early warning; At the same time, the Company adopted a relatively complete internal control environment construction and compliance effectiveness management and evaluation as the basis for operational risk prevention, strengthen the supervision and inspection of various businesses, and effectively avoid some operational risks caused by irregular operations, non-standards, or lack of coordination mechanisms between departments. During the reporting period, the Group had no major operational risk events.

6. Compliance risk

Compliance risk refers to the risk of legal sanction, being subjected to supervisory measure, self-discipline penalty, loss of property or reputation on the Company arising from violation of laws, regulations or rules due to the operation and management or practices of the Company or its personnel.

The Company's compliance risks include the risk of illegal operations in the brokerage business, such as accepting clients' full entrustment, hiring personnel without securities qualifications to engage in marketing business, etc., and the proportion of single holdings in the proprietary business and asset management business exceeding the regulatory requirements, etc., the sponsor in the investment banking business failed to perform due diligence obligations, etc., and the foreign investment consulting business in the investment consulting business failed to perform the filing procedures.

In response to compliance risks, the Company has established an organizational structure and system for compliance management, and carried out various compliance management work in an orderly manner, mainly through compliance inspections, consulting reviews, compliance monitoring, compliance supervision, compliance training, etc. Effective management and control of compliance risks. At the same time, through the establishment of a relatively complete multi-level anti-money laundering organization system, the orderly development of anti-money laundering work has been realized; in order to ensure the smooth development of various businesses, prevent insider trading and manage conflicts of interest, the company has established a relatively complete information isolation wall Management system. During the reporting period, the company had no major compliance risks.

X. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

7. Capital management

The Group's objectives of capital management are:

— To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;

— To support the Group's stability and growth;

— To maintain a strong capital base to support the development of their business;

— To comply with the capital requirements under the PRC regulations.

In accordance with Administrative Measures for Risk Control Indicators of Securities Companies (Revision 2016) issued by the China Securities Regulatory Commission and effective 1 October, 2016, the Company is required to meet the following standards for risk control indicators on a continual basis:

— The risk coverage ratio shall be no less than 100%;

— The capital leverage ratio shall be no less than 8%;

— The liquidity coverage ratio shall be no less than 100%;

— The net stable funding ratio shall be no less than 100%.

XI. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

1. The amount of assets and liabilities measured at fair value and the level of fair value measurement

The following table lists the fair value information of the Group's assets and liabilities measured at fair value on each balance sheet date at the end of the reporting period and the level of fair value measurement. The level of fair value measurement results depends on the lowest level of input value that is significant to the fair value measurement as a whole. The three levels of input values are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

XI. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

1. The amount of assets and liabilities measured at fair value and the level of fair value measurement (continued)

The following table presents the Company's financial assets and liabilities that are measured at fair value as at the balance sheet date.

Item	Fair value at 31 December 2020 Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	4,148,531,402.14	17,157,502,047.68	1,286,539,048.95	22,592,572,498.77
(1) Bond investments	3,726,479,071.54	14,891,751,412.20	387,855,604.43	19,006,086,088.17
(2) Equity investments	346,164,793.32	168,354,967.13	754,620,364.62	1,269,140,125.07
(3) Public offered funds	75,887,537.28	913,139,461.66		989,026,998.94
(4) Others		1,184,256,206.69	144,063,079.90	1,328,319,286.59
Financial assets at fair value through other comprehensive income	1,432,696,292.78	540,699,722.05	115,409,134.24	2,088,805,149.07
Total	5,581,227,694.92	17,698,201,769.73	1,401,948,183.19	24,681,377,647.84
Financial liabilities as at fair value through profit or loss	778,986,314.11		577,240,268.93	1,356,226,583.04
Derivative financial liabilities	57,980.91			57,980.91
Total	779,044,295.02		577,240,268.93	1,356,284,563.95

(continued)

Item	Fair value at 31 December 2019 Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	4,726,430,172.73	11,291,377,647.26	1,209,210,826.77	17,227,018,646.76
(1) Bond investments	4,309,028,233.68	9,080,536,711.40	420,701,220.37	13,810,266,165.45
(2) Equity investments	388,094,475.20	364,671,492.30	695,610,206.47	1,448,376,173.97
(3) Public offered funds	29,307,463.85	763,171,485.72		792,478,949.57
(4) Others		1,082,997,957.84	92,899,399.93	1,175,897,357.77
Financial instruments at fair value through other comprehensive income	358,934,217.57	305,761,128.91		664,695,346.48
Derivative financial assets	53,190.00	65,075.00	11,265,850.93	11,384,115.93
Total	5,085,417,580.30	11,597,203,851.17	1,220,476,677.70	17,903,098,109.17
Financial liabilities as at fair value through profit or loss	714,792,262.30		399,760,116.86	1,114,552,379.16
Derivative financial liabilities	39,420.00		44,320.00	83,740.00
Total	714,831,682.30		399,804,436.86	1,114,636,119.16

XI. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

2. Pricing of financial instruments by Level 1

The fair value of financial instruments traded in an active market is determined based on the market quotation on the financial reporting date. If quotations are obtained from exchanges and distributors in a timely and regular manner, and these quotations reflect actual and regular market transactions based on arm's length negotiations, a market is considered active. The fair value is determined based on the closing price on the financial reporting date, this instruments are included in the Level 1. The instruments included in the Level 1 mainly include securities traded on the Shanghai Stock Exchange and Shenzhen Stock Exchange, which are listed as trading financial assets and other debt investments.

3. Pricing of financial instruments by Level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

4. Pricing of financial instruments by Level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. For non-listed equity investment, bond investment, trust products and financial liabilities, the Company uses valuation techniques to determine its fair value, including discounted cash flow method and market comparison method. The measurement of its fair value adopts important non-observable parameters, such as liquidity discount, volatility and market multiplier. The fair value of unlisted equity investments, bond investments, other investments and financial liabilities is not significantly sensitive to reasonable changes in these non-observable inputs.

The Company has not changed the valuation techniques used in the above-mentioned continuous third level fair value measurement for the year ended 2020.

5. The changes in Level 3 instruments

Item	1 January 2020	Increase	Decrease	31 December 2020
Financial assets at fair value through profit or loss	1,209,210,826.77		2,173,021.75	1,207,037,805.02
Financial liabilities as at fair value through profit or loss	399,760,116.86	177,480,152.07		577,240,268.93
Financial assets at fair value through other comprehensive income		115,409,134.24		115,409,134.24
Derivative financial assets	11,265,850.93		11,265,850.93	
Derivative financial liabilities	44,320.00		44,320.00	

(continued)

Item	1 January 2019	Increase	Decrease	31 December 2019
Financial assets at fair value through profit or loss	1,715,558,066.26		506,347,239.49	1,209,210,826.77
Financial liabilities as at fair value through profit or loss	380,027,422.26	19,732,694.60		399,760,116.86
Derivative financial assets	62,985,609.15		51,719,758.22	11,265,850.93
Derivative financial liabilities		44,320.00		44,320.00

XI. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

5. The changes in Level 3 instruments (continued)

For financial instruments in Level 3, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable inputs to the overall fair value measurement. The following table presents the related valuation techniques and inputs of the major financial instruments in Level 3.

Financial instruments	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Financial assets at fair value through profit or loss				
— Bank financial products — Asset management plans	Level 3	— Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level	— Expected future cash flows; — Expected recovery date; — Discount rates that correspond to the expected risk level	— The higher the future cash flows, the higher the fair value; — The earlier the maturity date, the higher the fair value; — The lower the discount rate, the higher the fair value;
— The trust plan	Level 3	— Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level	— Expected future cash flows; — Expected recovery date; — Discount rates that correspond to the expected risk level	— The higher the future cash flows, the higher the fair value; — The earlier the maturity date, the higher the fair value; — The lower the discount rate, the higher the fair value;
— Private bonds/ corporate bonds/ convertible bonds	Level 3	— Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level; — Option pricing model	— Expected future cash flows; — Expected recovery date; — Discount rates that correspond to the expected risk level; — Stock price volatility	— The higher the future cash flows, the higher the fair value; — The earlier the maturity date, the higher the fair value; — The lower the discount rate, the higher the fair value; — The higher the stock price volatility, the higher the fair value;

XI. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

5. The changes in Level 3 instruments (continued)

Financial instruments	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
— Unlisted equity	Level 3	— Using comparable company method by selecting comparable companies in the same industry as the target company's important financial indicators; consider liquidity discount, estimate the expected exit date of equity, calculate the volatility of comparable companies, adopt the option model, calculate the liquidity discount of comparable companies.	— Expected recovery date; — Stock price volatility	— The earlier recovery date is expected, the higher fair value is valuated; — The higher stock price volatility is displayed, the higher fair value is valuated;
— Financial liabilities as at fair value through profit or loss	Level 3	— Discounted cash flows with future cash flows that are estimated based on expected payable amounts, discounted at rates that reflect management's best estimation of the expected risk level	— Expected future cash flows; — Expected recovery date; — Discount rates that correspond to the expected risk level	— The higher the future cash flows, the higher the fair value; — The earlier the payment date, the higher the fair value; — The lower the discount rate, the higher the fair value
— Derivative Financial Instruments	Level 3	— The Option Pricing Model is used for valuation. The main input parameter is the volatility of the target instrument.	— Target instrument volatility	— The higher the volatility of the instrument, the higher the fair value.

XII. CONTINGENCIES

As of 31 December, 2020, the Group has not been involved in a single major legal action or arbitration that may have a material adverse effect on the Group's financial status or operating performance.

XIII. COMMITMENTS

1. Capital commitments

The Company has entered into a contract but has not confirmed the capital commitment in the financial statements as follows:

Item	31 December 2020	31 December 2019
Contracted but not paid for	**32,184,984.30**	48,798,003.04
Total	**32,184,984.30**	48,798,003.04

XIV. EVENTS AFTER THE BALANCE SHEET DATE

1. Implementation of capital increase to Central China International Financial Holdings Co., Ltd.

On 29 April, 2020, the 19th meeting of the sixth board of directors of the Company reviewed and approved the "Proposal on Capital Increase in Hong Kong Subsidiary Central China International Financial Holdings Co., Ltd."and agreed to increase the capital of Central China International Financial Holdings Co., Ltd. By HK$500 million to HK$1 billion. In January 2021, the Company received the "Response Letter Regarding the Opinions of Central China Securities Co., Ltd. on the Capital Increase of Central China International Financial Holdings Co., Ltd."(Organization Department Letter [2021] No. 275) issued by the China Securities Regulatory Commission. The Company has no objection to increasing its capital by HK$800 million to Central China International. As of the reporting date of this financial statement, the capital increase has not been actually paid.

2. Shareholders bid collectively to reduce the shares

The company's shareholder Bohai Industry Investment Fund Management Co., Ltd. (hereinafter referred to as "Bohai Industry Fund") holds 431,738,551 unrestricted shares of the Company as of 31 December, 2020, accounting for approximately 9.30% of the Company's total share capital. The source of the shares is the stock converted from the Company's equity before the listing through the initial public offering, and the restriction on sales was lifted on 3 January, 2018. Bohai Industry Fund intends to reduce the number of shares of the Company that not more than 92,857,694 shares through a centralized bidding method from the date of disclosure of the reduction announcement, that is, within 6 months after 15 trading days from 6 January, 2021. The price of the reduction will be determined based on market prices. As of the reporting date of this financial statement, the above-mentioned shareholding reduction has not yet been completed.

3. Public issuance of short-term corporate bonds to professional investors

In February 2021, the company received the China Securities Regulatory Commission "Approval on Approving the Registration of Central China Securities Co., Ltd. for the Public Issuance of Short-term Corporate Bonds to Professional Investors" (zjxk [2021] No. 377), and agreed to the Company's approval to professional investors. The public issuance of short-term corporate bonds adopts the method of issuance in installments, and the balance of face value does not exceed RMB5 billion.

XIV. EVENTS AFTER THE BALANCE SHEET DATE (CONTINUED)

4. Central China Blue Ocean Investment Management Co., Ltd. publicly listed and transferred equities of Henan Central China Micro-lending Co., Ltd.

On 13 August, 2020, the 21st meeting of the sixth board of directors of the Company deliberated and approved the "Proposal on Transfer of Part of the Equity of Henan Central China Micro-lending Co., Ltd. held by Central China Blue Ocean Investment Management Co., Ltd.", agreed that Central China Blue Ocean Investment Management Co., Ltd. will transfer its 15% equity in Henan Central China Micro-lending Co., Ltd. by way of public listing, and authorized the management of the Company to handle various works in the process of transferring equity. On 22 January, 2021, Central China Blue Ocean Investment Management Co., Ltd. and Luohe Financial Holding Co., Ltd. signed the "State-owned Property Rights Transaction Contract.". On 22 January 2021, Central China Blue Ocean Investment Management Co., Ltd. and Luohe City Financial Holdings Co., Ltd. signed the "State-owned Property Rights Transaction Contract."

5. Profit distribution

As approved by the Company's Board of directors on 30 March, 2021, the Company's profit distribution plan for 2020 is to distribute a cash dividend of RMB0.17 (tax included) for every 10 shares. This proposal is subject to approval by the general meeting of shareholders.

XV. INFORMATION ABOUT SEGMENTS

According to the different business types, the Company's reporting segments are mainly divided into: securities brokerage business segment, proprietary business segment, investment banking business segment, credit business segment, investment management business segment, futures business segment, overseas business segment, headquarters and other business segment.

1. Segment information for the year ended 2020 (by business)

Item	Securities brokerage business	Proprietary trading business	Investment banking business	Credit business	Investment management business	Futures business	Overseas business	Headquarters and others	Offset	Total
1. Operating revenue	892,899,927.37	124,221,051.29	178,864,343.15	299,299,440.30	85,235,031.67	1,354,079,151.89	-29,790,360.16	203,067,640.22	-4,574,528.86	3,103,301,696.87
Net fee and commission income	753,219,862.58		179,545,643.94	36,175,788.75	49,712,266.98	97,077,420.14	12,912,486.75	45,371,295.01	-1,816,477.32	1,172,198,286.83
Investment income (or less: losses)		540,472,131.17			-25,085,581.79	-854,996.95	1,996,536.63	90,858,466.15	-733,750.74	606,652,804.47
Gains on changes in fair value (or less: losses)		-33,778,488.31			51,155,949.39	670,655.87	-4,608,054.76	-61,964,238.64		-48,524,176.45
Gains on foreign exchange (or less: losses)	-109,362.26						-2,702,061.15	-536,797.79		-3,348,221.20
Other operating income	2,859,257.13	6,783,793.15		13,907,997.04	40,364.63	1,246,747,264.15	2,928,930.42	4,014,475.67	-2,056,782.26	1,275,225,299.93
Net interest income	136,930,169.92	-389,256,384.72	-681,300.79	249,215,654.51	9,412,032.46	10,438,808.68	-40,318,198.05	125,324,439.82	32,481.46	101,097,703.29
2. Operating expense	582,945,240.34	176,222,267.64	194,129,235.24	206,658,069.57	33,906,908.80	1,330,493,372.03	67,032,284.06	382,464,812.23	-19,366,376.79	2,954,485,813.12
3. Operating profit	309,954,687.03	-52,001,216.35	-15,264,892.09	92,641,370.73	51,328,122.87	23,585,779.86	-96,822,644.22	-179,397,172.01	14,791,847.93	148,815,883.75
4. Total Asset	9,225,038,019.65	22,597,717,177.95	31,291,444.78	9,633,309,114.56	3,862,978,383.14	1,909,882,870.38	1,556,618,401.66	8,969,384,670.28	-5,409,344,525.40	52,376,875,557.00
5. Total liabilities	10,101,535,678.65	15,151,920,711.75	79,092,182.47	1,724,734,715.63	699,739,931.38	1,480,481,319.14	1,297,193,828.09	8,299,157,539.40	-643,456,440.02	38,190,399,466.49
6. Supplementary information										
(1) Depreciation and amortisation	58,110,750.23	13,720,159.99	11,458,670.75	555,114.90	2,061,032.31	4,518,220.32	13,870,797.91	50,745,655.70	-1,222,148.08	153,818,254.03
(2) Capital expenditure	55,089,727.52	3,624,502.05	741,552.77	414,536.62	1,346,949.62	2,276,804.43	45,221.82	53,822,904.68		117,362,199.51

XVI. OTHER SIGNIFICANT EVENTS

1. Public beneficial donations

Item	For the year ended 2020	For the year ended 2019
Charitable donations	5,548,811.00	6,067,504.00
Total	5,548,811.00	6,067,504.00

2. Margin business

The Group's margin business scale is as follows, On 31 December, 2020 and 31 December, 2019:

Item	For the year ended 2020	For the year ended 2019
Margin accounts receivable	7,476,331,076.06	6,131,736,886.67
Short selling business	6,015,764.80	5,410,131.09
Total	7,482,346,840.86	6,137,147,017.76

3. Securities lending

The specific types and fair values of bonds borrowed by the company on the inter-bank and exchange bond market trading platforms are as follows:

Item	Fair value on 31 December 2020	Fair value on 31 December 2019
Treasury bonds	977,436,370.00	493,954,800.00
Policy-based financial debt	892,869,520.00	869,154,000.00
Local government debt	461,811,840.00	530,733,960.00
Total	2,332,117,730.00	1,893,842,760.00

As of 31 December, 2020, among the bonds obtained by the Company through inter-bank and exchange market borrowing, the fair value of bonds that were pledged or transferred for the sale of repurchase business was RMB16,102,987,000.

XVI. OTHER SIGNIFICANT EVENTS (CONTINUED)

4. Security of customer funds

As of 31 December, 2020, the Company has deposited customer transaction settlement funds in commercial banks with depository qualifications, in compliance with the "Customer Transaction Settlement Fund Management Measures" (China Securities Regulatory Commission Order No. 3), and comply with relevant regulations such as the third-party depository of customer transaction settlement funds and the requirements for the security of customer transaction settlement funds. The Company strictly guarantees the safety of customer funds, the problem of misappropriation of client funds does not exist.

5. Assets and liabilities measured at fair value

Item	31 December 2019	Gains and losses from changes in fair value for the current period	Cumulative changes in fair value included in equity	Impairment accrued in the current period	31 December 2020
Financial Assets					
1. Financial assets at fair value through profit or loss (without derivative financial asset)	17,227,018,646.76	-30,313,666.81			22,592,572,498.77
2. Derivative financial assets	11,384,115.93	-8,993,950.22			
3. Financial assets measured at amortised cost	664,695,346.48		-79,872,667.60	70,774,304.74	2,088,805,149.07
4. Other financial assets at fair value through other comprehensive income					
Subtotal	17,903,098,109.17	-39,307,617.03	-79,872,667.60	70,774,304.74	24,681,377,647.84
Investment properties					
Productive biological assets					
Others					
Total	17,903,098,109.17	-39,307,617.03	-79,872,667.60	70,774,304.74	24,681,377,647.84
Financial liabilities at fair value through profit or loss	1,114,552,379.16	-9,215,030.06			1,356,226,583.04
Derivative financial liabilities	83,740.00	-1,529.36			57,980.91
Total of financial liabilities	1,114,636,119.16	-9,216,559.42			1,356,284,563.95

Note: There is no inevitable cross-check relationship in this table.

XVI. OTHER SIGNIFICANT EVENTS (CONTINUED)

6. Basic classification table for the measurement of financial assets

	31 December 2020					
				The change of fair value through profit or loss		
Item	Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income	Appointed as financial instruments at fair value through other comprehensive income	Classified as financial assets at fair value through profit or loss	According to the "Financial Instruments Recognition and Measurement" standards, designated as financial assets measured at fair value through profit or loss	According to the "Hedging Accounting" standards, designated as financial assets measured at fair value through profit or loss
Cash and bank balances	10,951,131,021.90					
Clearing settlement funds	2,379,100,088.00					
Margin accounts receivable	7,400,757,113.38					
Derivative financial assets						
Refundable deposits	744,878,747.69					
Accounts receivable	169,323,523.34					
Financial assets held under resale agreement	2,055,964,889.83					
Financial assets at fair value through profit or loss				22,592,572,498.77		
Financial assets measured at amortised cost	456,168,931.89					
Financial assets at fair value through other comprehensive income		2,088,805,149.07				
Other assets	879,830,915.70					
Total	25,037,155,231.73	2,088,805,149.07		22,592,572,498.77		

XVI. OTHER SIGNIFICANT EVENTS (CONTINUED)

6. Basic classification table for the measurement of financial assets (continued)

	31 December 2019					
				The change of fair value through profit or loss		
Item	Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income	Appointed as Financial instruments at fair value through other comprehensive income	Classified as financial assets at fair value through profit or loss	According to the "Financial Instruments Recognition and Measurement" standards, designated as financial assets measured at fair value through profit or loss	According to the "Hedging Accounting" standards, designated as financial assets measured at fair value through profit or loss
Cash and bank balances	9,331,748,561.52					
Clearing settlement funds	2,518,049,515.84					
Margin accounts receivable	6,060,740,196.56					
Derivative financial assets				11,384,115.93		
Refundable deposits	395,169,735.95					
Accounts receivable	153,912,302.37					
Financial assets held under resale agreement	3,023,888,527.71					
Financial assets at fair value through profit or loss				17,227,018,646.76		
Financial assets measured at amortised cost	676,389,859.29					
Financial assets at fair value through other comprehensive income		664,695,346.48				
Others	1,088,025,728.72					
Total	23,247,924,427.96	664,695,346.48		17,238,402,762.69		

XVI. OTHER SIGNIFICANT EVENTS (CONTINUED)

7. Basic classification table for the measurement of financial liabilities

	31 December 2020			
		The change of fair value through profit or loss		
Item	Financial liabilities measured at amortised cost	Classified as financial liabilities at fair value through profit or loss	According to the "Financial Instruments Recognition and Measurement" standards, designated as financial liabilities measured at fair value through profit or loss	According to the "Hedging Accounting" standards, designated as financial assets measured at fair value through profit or loss
Short-term loans	315,977,554.88			
Derivative financial liabilities		57,980.91		
Short-term financing instruments payable	4,154,657,809.90			
Due to banks and other financial institutions	3,694,418,222.23			
Financial liabilities at fair value through profit or loss		1,356,226,583.04		
Financial assets sold under repurchase agreements	12,200,308,194.73			
Accounts payable to brokerage clients	10,555,230,551.25			
Accounts payable	65,874,572.60			
Bonds payable	4,610,250,342.02			
Long-term borrowings	1,001,741.67			
Other liabilities	29,432,162.81			
Total	35,627,151,152.09	1,356,284,563.95		

XVI. OTHER SIGNIFICANT EVENTS (CONTINUED)

7. Basic classification table for the measurement of financial liabilities (continued)

	31 December 2019			
		The change of fair value through profit or loss		
Item	Financial liabilities measured at amortised cost	Classified as financial liabilities at fair value through profit or loss	According to the "Financial Instruments Recognition and Measurement" standards, designated as financial liabilities measured at fair value through profit or loss	According to the "Hedging Accounting" standards, designated as financial assets measured at fair value through profit or loss
Short-term loans	1,568,747,897.84			
Derivative financial liabilities		83,740.00		
Short-term financing instruments payable	4,455,447,124.75			
Due to banks and other financial institutions	2,361,159,583.32			
Financial liabilities at fair value through profit or loss		1,114,552,379.16		
Financial assets sold under repurchase agreements	8,721,088,626.07			
Accounts payable to brokerage clients	8,895,066,941.34			
Accounts payable	190,992,352.09			
Bonds payable	4,623,940,375.96			
Long-term borrowings	13,202,955.17			
Other liabilities	26,564,390.64			
Total	30,856,210,247.18	1,114,636,119.16		

XVI. OTHER SIGNIFICANT EVENTS (CONTINUED)

8. Foreign currency financial assets and financial liabilities

Item	31 December 2019	Gains and losses from changes in fair value for the current period	Cumulative changes in fair value included in equity	Impairment accrued in the current period	31 December 2020
Financial assets					
1. Financial assets at fair value through profit or loss	1,089,445,460.17	-4,608,054.76			856,883,301.34
2. Derivative financial assets					
3. Loan and account receivable	19,099,108.85			513,358.29	43,785,058.55
4. Financial assets at fair value through other comprehensive income					
5. Other financial assets at fair value through other comprehensive income					
6. Financial assets measured at amortised cost	51,830,963.55				41,123,594.69
Subtotal	1,160,375,532.57	-4,608,054.76		513,358.29	941,791,954.58
Financial liabilities					

XVII. NOTES TO ITEMS OF FINANCIAL STATEMENTS OF THE COMPANY

1. Long-term equity investment

(1) By categories

	31 December 2020			31 December 2019		
Item	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment in subsidiaries	4,126,432,553.95		4,126,432,553.95	4,126,432,553.95		4,126,432,553.95
Total	4,126,432,553.95		4,126,432,553.95	4,126,432,553.95		4,126,432,553.95

(2) Investment in subsidiaries

Investee	31 December 2019	Increase	Decrease	31 December 2020	Provision for impairment in period	Closing balance of provision for impairment
Central China Futures Co.,Ltd.	188,061,592.08			188,061,592.08		
Zhongding Kaiyuan Venture Capital Management Co.,Ltd.	700,530,961.87			700,530,961.87		
Central China International Financial Holdings Co.,Ltd.	859,340,000.00			859,340,000.00		
Central China Blue Ocean Investment Management Co.,Ltd.	2,256,000,000.00			2,256,000,000.00		
Central China Equity Exchange Co.,Ltd	122,500,000.00			122,500,000.00		
Total	4,126,432,553.95			4,126,432,553.95		

XVII. NOTES TO ITEMS OF FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

2. Net interest income

Item	For the year ended 2020	For the year ended 2019
Interest income	840,710,707.82	798,742,726.64
Include: interest income from cash and clearing settlement funds	220,736,495.73	185,486,711.01
interest income from margin account receivable	464,576,155.58	366,479,244.07
interest income from financial assets held under resale agreement	81,991,995.95	193,806,451.27
Include: interest income from agreed repurchase	996,809.98	1,357,301.47
interest income from stock-pledged repurchase	46,354,779.03	90,493,451.12
interest income from financial instruments at fair value through other comprehensive income	54,322,352.87	43,479,859.02
others	19,083,707.69	9,490,461.27
Interest expenses	794,467,457.03	857,789,074.23
Include: Interest expenses of short term financing instruments	27,018,835.31	23,261,913.30
Interest expenses of loans from banks and other financial institutions	77,148,662.74	69,320,167.80
Include: Refinancing interest expenses	30,440,555.57	21,440,277.79
Interest expenses of financial assets held under resale agreement	263,204,806.08	316,813,543.22
Include: Interest expenses for quote repurchase		
Interest expenses of account payable to brokerage clients	37,816,790.81	30,923,572.43
Interest expenses of bond payable	363,302,104.60	390,376,765.11
Include: Interest expenses of subordinated bond	267,812,580.47	257,700,161.29
Bond lending	15,528,329.95	19,668,356.14
Others	10,447,927.54	7,424,756.23
Net interest income	46,243,250.79	-59,046,347.59

XVII. NOTES TO ITEMS OF FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

3. Net fee and commission income

(1) Details

Item	For the year ended 2020	For the year ended 2019
Securities brokerage services net income	686,071,935.92	469,501,628.70
— Securities brokerage services income	885,194,369.73	610,656,750.79
— Securities brokerage business	831,526,528.34	595,698,795.78
Lease of trade seat	1,031,189.08	594,228.47
Agency sales of financial products business	51,559,606.38	13,535,896.80
— Securities brokerage services expense	199,122,433.81	141,155,122.09
— Securities brokerage business	198,967,940.55	140,998,312.09
Agency sales of financial products business	30,611.75	35,293.17
Investment banking business net income	200,925,249.51	228,560,194.77
— Investment banking business income	211,653,833.40	235,276,295.26
— Securities underwriting business	114,957,161.13	111,819,439.66
Securities sponsor business	23,965,274.32	19,273,584.90
Financial advisory business	72,731,397.95	104,183,270.70
— Investment banking business expense	10,728,583.89	6,716,100.49
— Securities underwriting business	9,313,489.57	4,402,514.95
Securities sponsor business	400,000.00	1,217,735.85
Financial advisory business	1,015,094.32	1,095,849.69
Asset management business net income	39,325,418.37	45,206,688.55
— Asset management business income	39,353,812.03	45,235,815.39
— Asset management business expense	28,393.66	29,126.84
Investment advisory business net income	81,559,355.53	63,279,453.44
— Investment advisory business income	81,559,355.53	63,279,453.44
— Investment advisory business expense		
Other fee and commission net income	30,268,783.91	9,392,120.90
— Other fee and commission income	32,811,519.76	9,392,120.90
— Other fee and commission expense	2,542,735.85	
Total	1,038,150,743.24	815,940,086.36
Include: Total fee and commission income	1,250,572,890.45	963,840,435.78
Total fee and commission expense	212,422,147.21	147,900,349.42

XVII. NOTES TO ITEMS OF FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

4. Investment income

(1) By categories

Item	For the year ended 2020	For the year ended 2019
Long-term equity investment income calculated by cost method	77,307,500.00	50,916,260.74
Long-term equity investment income calculated by equity method		-773,551.12
Income from dispose long-term equity investments		50,208,022.72
Income from financial instrument investments	553,945,936.58	677,197,882.16
Include: Proceeds generated during holding period	695,140,291.04	591,084,144.95
Include: Financial assets measured at their fair values through profit or loss	719,988,683.69	619,398,023.32
Financial liabilities measured at their fair values through profit or loss	-24,848,392.65	-28,313,878.37
Depose financial instrument income	-141,194,354.46	86,113,737.21
Include: Financial assets measured at their fair values through profit or loss	-83,989,378.75	94,019,111.42
Financial assets at fair value through other comprehensive income	10,380,784.48	11,813,248.18
Derivative financial instruments	-121,617,242.72	-36,519,587.10
Financial liabilities measured at their fair values through profit or loss	54,031,482.53	16,800,964.71
Total	631,253,436.58	777,548,614.50

(2) Financial instruments measured at their fair values through profit or loss

Financial instruments measured at their fair values through profit or loss		For the year ended 2020
Classified into financial assets measured at their fair values through profit or loss	Holding period income	719,988,683.69
	Deposal income	-83,989,378.75
Designated as financial assets measured at their fair values through profit or loss	Holding period income	
	Deposal income	
Classified into financial liabilities measured at their fair values through profit or loss	Holding period income	-24,848,392.65
	Deposal income	54,031,482.53
Designated as financial liabilities measured at their fair values through profit or loss	Holding period income	

XVII. NOTES TO ITEMS OF FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

5. Business and administrative expenses

Item	For the year ended 2020	For the year ended 2019
Employee benefits	829,080,934.22	767,981,116.23
Depreciation of right-of-use assets	56,650,750.59	47,809,302.90
Depreciation of fixed assets expenses	30,181,550.19	30,866,625.34
Amortization of intangible assets	29,767,221.31	26,470,814.92
Mailing expenses	15,826,770.89	14,572,609.49
Electronic equipment operation fees	35,398,233.30	25,833,521.72
Membership fees	15,204,571.94	9,511,979.24
Amortization of long-term deferred expenses	12,573,176.57	10,800,094.92
Consulting fees	12,106,802.02	24,114,229.92
Securities investors protection funds	7,811,652.08	9,084,179.20
Auditing expenses	5,985,660.37	5,368,679.20
Utilities fees	6,854,700.01	7,090,074.09
Property fees	8,035,558.53	8,483,394.43
Traveling expenses	10,840,414.36	17,063,080.98
Rental fees	5,776,033.67	17,234,709.42
Advertising cost	16,396,249.01	11,634,231.58
Business entertainment expenses	10,077,114.18	11,014,351.78
Safety fees	2,989,984.78	3,052,279.61
Public miscellaneous fees	2,791,254.69	11,014,351.78
Printing fees	2,365,876.17	1,905,161.26
Litigation fees	6,106,847.53	5,297,336.63
Labour protection fees	2,213,164.61	5,754,863.27
Exchange facility usage fees	4,215,428.29	5,191,308.25
Disabled employment security funds	2,474,637.58	3,019,423.79
Others	17,722,617.04	16,737,081.73
Total	1,149,447,203.93	1,096,904,801.68

XVII. NOTES TO ITEMS OF FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

6. Supplementary information on the Company cash flow statement

Item	For the year ended 2020	For the year ended 2019
1. Adjust net profit to cash flow from operating business		
Net income	201,826,398.89	321,145,590.87
Add:Provision for asset impairment	263,120,359.08	186,153,701.24
Depreciation of investment equity and fixed assets	31,299,387.64	31,984,431.58
Depreciation of right-of-use assets	56,650,750.59	47,809,302.90
Amortization of intangible assets	29,767,221.31	26,470,814.92
Amortization of long-term deferred expenses	12,573,176.57	10,800,094.92
Fixed assets, intangible assets and other long-term assets disposal (or revenue: “-”)	1,413,215.22	-22,677,113.06
Changes in fair value gains and losses (or revenue: “-”)	88,807,494.18	-112,081,401.33
Interest expenses	397,411,742.61	436,401,361.05
Exchange losses (or revenue: “-”)	646,160.05	-30,847.35
Investment losses (or revenue: “-”)	-142,010,637.35	-106,209,367.94
Decrease in deferred income tax assets (or increase:“-”)	-88,296,632.38	-25,699,396.12
Increase in deferred income tax liabilities (or decrease:“-”)	-3,207,641.13	2,149,540.21
Decrease of operating receivable (or increase:“-”)	191,011,569.97	1,142,579,703.69
Increase of operating receivable (or decrease “-”)	-82,028,931.77	-241,474,877.86
Net cash flow from operating business	958,983,633.48	1,697,321,537.72
2. No cash flow from investment and financing business		
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Financing leased of fixed assets		
3. Net increase/(decrease) in cash and cash equivalents		
Closing balance of cash	11,500,913,337.34	9,849,533,204.97
Less: Opening balance of cash	9,849,533,204.97	8,227,607,657.53
Add: Closing balance of cash equivalent		
Less: Opening balance of cash equivalent		
Net increase of cash equivalent and cash	1,651,380,132.37	1,621,925,547.44

XVIII. FINANCIAL REPORT APPROVAL

This financial report was approved by the board of directors of the Company on 30 March, 2021.

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS

1. Non-recurring income statement

According to the requirements of "Explanatory Notice on Company Information Disclosure for Public Issuance of Securities No. 1 — Non-Recurring Gains and Losses (2008) "issued by the China Securities Regulatory Commission, the Company's non-recurring gains and losses are as follows:

Item	For the year ended 2020	For the year ended 2019
Gains and losses on disposal of non-current assets	-1,434,940.82	23,826,434.25
Government grants included in current profits and losses	15,188,914.70	17,715,676.78
Reversal of provision for impairment of account receivable and contract assets that have been separately tested for impairment	5,000,000.00	
Non-operating income and expenses in addition to the above items	-7,817,648.40	-5,966,282.11
Subtotal	10,936,325.48	35,575,828.92
Less: Impact of income tax	2,527,734.55	8,893,957.23
Impact of minority interest	-171,077.53	-12,382,896.33
Non-recurrent net profit and loss attributable to parent shareholders	8,579,668.46	39,064,768.02

2. Return on equity and earnings per share

According to the requirements of the "China Securities Regulatory Commission's rule No. 9 on the Compilation of Information Disclosure of Companies for Public Issuance of Securities — Calculation and Disclosure of Return on Equity and Earnings Per Share" (revised in 2010), the Company's weighted average return on equity and earnings per share in 2020 are as follows:

Reporting period profit	Weighted average return on equity	Earnings per share Underlying earnings per share	Diluted earnings per share
Net profit attributable to shareholders of the Company	0.93%	0.02	0.02
Net profit attributable to shareholders of the Company after deduction of non-recurring gains and losses	0.85%	0.02	0.02

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Accounting data differences under domestic and foreign accounting standards

Differences in the reconciliation of shareholders' equity and profits under the transition from IFRS to Chinese Accounting Standards

Expressed in RMB'0000

Item	Net profit		Net assets	
	For the year ended 2020	For the year ended 2019	31 December 2020	31 December 2019
According to International Financial Reporting Standards	10,211.91	7,508.29	1,418,647.61	1,049,778.65
According to Chinese Accounting Standards	10,211.91	7,508.29	1,418,647.61	1,049,778.65
Difference				

Central China Securities Co., Ltd.
30 March 2021

Central China Securities Co., Ltd.

中原证券股份有限公司

For the year ended 31 December 2019

Auditor's Report

Contents	**Pages**
Auditor's Report	
Financial Statements	
— Consolidated Balance Sheet	1-2
— Company Balance Sheet	3-4
— Consolidated Income Statement	5
— Company Income Statement	6
— Consolidated Cash Flow Statement	7
— Company Cash Flow Statement	8
— Consolidated Statement of Changes in Equity	9-10
— Company Statement of Changes in Equity	11-12
— Notes to Financial Statement	13-144

信永中和 ShineWing

信永中和会计师事务所
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Auditor's Report

XYZH/2020BJA90246

To the Shareholders of Central China Securities Co., Ltd.,

1. Opinion

We have audited the financial statements of Central China Securities Co., Ltd. (the "Company"), and its subsidiaries(the "Group"), which comprise the consolidated and the Company's balance sheet as at 31 December 2019, the consolidated and the Company's income statement, the consolidated and the Company's cash flow statement and the consolidated and the Company's statement of changes in shareholders' equity for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and the Company's financial position as at 31 December 2019, the consolidated and the Company's results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

2. Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing for Chinese Certified Public Accountants. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Group in accordance with the Code of Ethics for Chinese Certified Public Accountants, and we have fulfilled our other ethical responsibilities of the code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit.

3. Key Audit Matters

Key audit matters are the items that, in our professional judgment, are the most significance in our audit of the current financial statements. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our audit opinion thereon, and we do not express a separate opinion on these matters. The key audit matters identified in our audit are as follows:

1. Consolidation of structured entities	
Key Audit Matter	**How our audit addressed the Key Audit Matter**
The Group acted as an asset manager or equity for, or invested in, a number of asset management schemes, structured entities such as limited partnership. Those structured entities over which The management of the Group (hereinafter referred to as the "Management") has concluded the Group had control have been consolidated and their aggregated total book value of assets were RMB 995.00 million as at 31 December 2019. The management comprehensively evaluates the interests held by Company and the remuneration as the structured subject manager According to the interests held by company and the manager's remuneration impacting on variable returns, the management of the Group decide the consolidation scope. The determination of the consolidation scope of structured entities as a key audit area is mainly due to the significant judgments made by the management of the company in evaluating and determining whether the company as an investor controls the structured entities. Refer to Note VIII (I) consolidated financial statements.	Our procedures in relation to the determination of consolidated structured entities included: ・ We obtained the understanding on the management of the Group's judgment and disclosure over the controlling of structured entities and tested the related internal controls; ・ We selected contracts of asset management plans and the limited partnerships to understand the purpose of the establishment of the structured subjects and the Company participation and impact on the governance of structured subject and to evaluate the rights and obligations of Group manager in the decision-making of structured entities; ・ Checking the structural design of risk and reward by the structured subject. We evaluate the judgment made by the management on the risk exposure and variable return of the structured entity due to its participation in the related activities of the structured entity. Combing the qualitative analysis and

	the calculation results of the proportion and variability of the economic benefits of the structured subject, we analyse the rationality of the judgment made by the management; · We examined the adequacy of disclosures being made in the consolidated financial statements and assessed whether it meets the requirement under Accounting Standards for Enterprises.
2. Impairment allowance of Margin accounts receivable, Financial assets held under resale agreements, Financial assets at amortised costs, and Financial assets at fair value through other comprehensive income	
Key Audit Matter	**How our audit addressed the Key Audit Matter**
As of 31 December 2019, the Group recognized the following financial assets in its consolidated statement of financial position: Margin accounts receivable (book value was RMB 6,061.00 million), Financial assets held under resale agreements(book value was RMB 3,024.00 million), financial assets at amortised costs (book value was RMB 676.00 million), Financial assets at fair value through other comprehensive income(book value is RMB 665.00 million). The total balance of the recognized impairment provision was RMB 616.00 million . Management applied the Expected Loss Model to measure the expected credit losses ("ECL"). For the above-mentioned financial assets in Stages 1 and 2, Management used a measurement model that includes key parameters such as the probability of default, the rate of default loss, and the exposure to	Our main audit procedures for management impairment assessment are as follows: · Realize the internal control related to the provision for expected credit impairment, and test the implementation effectiveness of the relevant internal control; · Select samples to perform review procedures, check the overdue information of relevant financial assets, the value of mortgaged assets, the credit status of financiers or issuers, and negative information, etc., and evaluate the rationality of the judgment made by Management whether the above financial asset credit risk has increased significantly since the initial confirmation and whether the credit impairment has occurred;

default risk to assess the impairment allowance. For credit-impaired financial assets classified under Stage 3, Management assessed the credit loss allowances by estimating the cash flows expected to arise from the financial assets after taking into consideration of forward looking factors. For these financial assets that have suffered credit impairment in stage 3, Management measures the impairment provision by estimating the future cash flows of the financial assets. For each type of product and investment, the measurement model for ECL involves significant management judgements and assumptions, primarily including the following: Determination of the criteria for significant increase in credit risk ("SICR"), definitions of defaults and credit impairment; Selection of the appropriate models and assumptions for measuring expected credit losses; Establishment of the number and relative weightings of forward-looking scenarios. Because the Group developed a number of complex models, adopted numerous parameters and data inputs, and applied significant management judgements and assumptions in measuring the ECL; and furthermore, the amounts involved were significant to the Group's financial statements, this matter was identified as a key audit matter. Please refer to Notes VI. 3、7、9、and 10 to the consolidated financial statements for details.	· Check the reliability of the expected credit loss model and parameters used by the management in assessing the impairment provision, including the probability of default, the loss rate of default, the risk exposure of default and and prospective adjustments, etc, and evaluate their consistency, accuracy and completeness; · Based on selecting samples, we evaluate the rationality of the default loss rate of financial assets that have suffered credit impairment; Check the financial information of the debtor and the guarantor, the collateral or the market value of the sealed asset, etc., and consider the recoverable amount of the financial asset. · Evaluate whether the disclosure of financial statements related to the impairment of financial assets meets the disclosure requirements of Accounting Standards for Enterprises.

4. Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's 2019 annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information; we are required to report that fact. We have nothing to report in this regard.

5. Responsibilities of the Management and Those Charged with Governance for the Financial Statements

The Management is responsible for the preparation of the financial statements in accordance with Accounting Standards for Business Enterprises to achieve fair presentation; and designing, implementing and maintaining internal control which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

6. Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are generally considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

During the course of audit in accordance with auditing standards, we exercise professional judgment and maintain professional skepticism. We also carry out the following works:

(1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances;

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management;

(4) Conclude on the appropriateness of the Management s' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements in accordance with the auditing standards or, if such disclosures are inadequate, we shall modify our opinion.. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

(5) Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

(6) Obtain sufficient appropriate audit evidence regarding the financial information of the

entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, etc, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with those relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and related safeguards, where applicable.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation prohibited public disclosure about the matter or when, in rare circumstances, we determine that a matter should not be communicated in our report if the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Yours faithfully,

ShineWing Certified Public Accountants LLP
Beijing, China
22 April 2020

CENTRAL CHINA SECURITIES CO., LTD.

Consolidated balance sheet as at 31 December 2019

(Expressed in RMB Yuan)

Asset	Note VI No.	31 December 2019	31 December 2018
Assets:			
Cash and bank balances	1	9,331,748,561.52	7,261,762,821.29
Including: Cash held for brokerage clients		6,581,561,810.40	4,654,821,536.05
Clearing settlement funds	2	2,518,049,515.84	2,340,352,732.79
Including: Clearing settlement funds held for brokerage clients		2,347,142,384.82	2,264,514,763.66
Margin accounts receivable	3	6,060,740,196.56	4,720,497,886.26
Derivative financial assets	4	11,384,115.93	62,985,609.15
Refundable deposits	5	395,169,735.95	282,711,359.27
Accounts receivable	6	153,912,302.37	93,242,483.32
Financial assets held under resale agreement	7	3,023,888,527.71	8,916,568,714.28
Assets held for sale			233,584.73
Financial Investment：			
Financial asset at fair value through profit or loss	8	17,227,018,646.76	13,931,755,971.28
Financial instruments measured at amortised cost	9	676,389,859.29	693,894,034.07
Financial instruments at fair value through other comprehensive income	10	664,695,346.48	725,628,095.35
Long-term equity investments	11	1,104,721,398.67	948,412,703.30
Investment properties	12	17,289,669.93	18,105,219.64
Fixed assets	13	193,032,226.69	217,063,279.75
Construction in progress	14	35,578,119.28	11,974,256.95
Right-of-use assets	15	184,977,696.07	
Intangible assets	16	157,209,959.46	158,629,930.57
Deferred income tax assets	17	345,625,693.11	251,316,497.37
Goodwill	18	22,371,814.46	22,041,691.13
Other assets	19	1,446,099,029.69	1,498,106,075.06
Total Asset		**43,569,902,415.77**	**42,155,282,945.56**

Legal representative: (signature and stamp):

Officer in charge of accounting: (signature and stamp):

Chief accountant: (signature and stamp):

Head of department: (signature and stamp):

Consolidated balance sheet as at 31 December 2019 (continued)

(Expressed in RMB Yuan)

Liabilities & Equity	Note VI No.	31 December 2019	31 December 2018
Liabilities:			
Short-term loans	22	1,568,747,897.84	1,874,987,103.79
Short-term financing notes payable	23	4,455,447,124.75	4,674,228,782.84
Due to banks and other financial institutions	24	2,361,159,583.32	2,241,402,399.94
Financial liabilities at fair value through profit or loss	25	1,114,552,379.16	380,027,422.26
Derivative financial liabilities	4	83,740.00	
Financial assets sold under repurchase agreements	26	8,721,088,626.07	10,171,790,278.32
Accounts payable to brokerage clients	27	8,895,066,941.34	6,561,059,986.14
Employee benefits payable	28	478,666,321.83	337,210,087.85
Taxes payable	29	56,986,010.70	59,563,461.00
Accounts payable	30	183,081,131.54	323,196,318.10
Contract liabilities	31	20,444,852.57	
Long-term borrowings	32	13,202,955.17	
Bonds payable	33	4,623,940,375.96	4,097,519,315.03
Lease liabilities	34	177,837,189.74	
Deferred income tax liabilities	17	8,258,284.47	3,461,155.98
Other liabilities	35	393,552,547.54	155,796,916.85
Total liabilities		**33,072,115,962.00**	**30,880,243,228.10**
Equity:			
Share capital	36	3,869,070,700.00	3,869,070,700.00
Capital reserve	37	3,487,237,785.96	3,756,106,523.53
Other comprehensive income	38	36,543,591.23	28,206,891.34
Surplus reserve	39	808,084,287.96	759,912,449.33
General risk reserve	40	1,382,038,921.28	1,298,870,167.26
Retained earnings	41	88,232,726.32	238,731,987.53
Total equity attributable to owners of the parent company		9,671,208,012.75	9,950,898,718.99
Non-controlling interests		826,578,441.02	1,324,140,998.47
Total equity		**10,497,786,453.77**	**11,275,039,717.46**
Total liabilities and equity		**43,569,902,415.77**	**42,155,282,945.56**

Legal representative: (signature and stamp):

Officer in charge of accounting: (signature and stamp):

Chief accountant: (signature and stamp):

Head of department: (signature and stamp):

Company balance sheet as at 31 December 2019

(Expressed in RMB Yuan)

Asset	NoteXVII No.	31 December 2019	31 December 2018
Assets:			
Cash and bank balances		7,451,403,960.97	6,037,309,650.99
Including: Cash held for brokerage clients		6,147,210,572.10	4,217,811,321.46
Clearing settlement funds		2,401,197,144.82	2,190,298,006.54
Including: Clearing settlement funds held for brokerage clients		2,070,615,268.02	2,000,935,630.27
Margin accounts receivable		5,863,995,732.86	4,358,080,069.76
Refundable deposits		61,804,121.87	73,214,403.92
Accounts receivable		106,952,495.81	41,728,053.10
Financial assets held under resale agreement		3,016,788,527.71	8,898,471,250.78
Held-for-sale assets			233,584.73
Financial Investment：			
Financial asset at fair value through profit or loss		14,901,923,154.00	10,237,202,290.09
Financial instruments at fair value through other comprehensive income		664,695,346.48	684,198,095.35
Long-term equity investments	1	4,126,432,553.95	4,241,019,659.58
Investment properties		26,976,776.32	28,094,582.56
Fixed assets		177,043,901.96	198,759,257.77
Construction in progress		35,578,119.28	11,974,256.95
Right-of-use assets		143,733,697.34	
Intangible assets		152,488,987.20	154,070,884.22
Deferred income tax assets		210,510,337.00	184,810,940.88
Other assets		476,558,424.45	100,552,575.02
Total Asset		**39,818,083,282.02**	**37,440,017,562.24**

Legal representative: (signature and stamp):

Officer in charge of accounting: (signature and stamp):

Chief accountant: (signature and stamp):

Head of department: (signature and stamp):

Company balance sheet as at 31 December 2019(continued)

(Expressed in RMB Yuan)

Liabilities & Equity	NoteXVII No.	31 December 2019	31 December 2018
Liabilities:			
Short-term financing notes payable		4,455,447,124.75	4,674,228,782.84
Due to banks and other financial institutions		2,361,159,583.32	2,241,402,399.94
Financial liabilities at fair value through profit or loss		714,792,262.30	
Financial assets sold under repurchase agreements		8,721,088,626.07	10,171,790,278.32
Accounts payable to brokerage clients		8,157,600,131.41	5,857,973,868.43
Employee benefits payable		430,174,300.20	292,540,381.37
Taxes payable		42,920,834.05	14,636,413.61
Accounts payable		175,101,509.70	319,294,156.72
Contract liabilities		7,911,220.55	
Bonds payable		4,623,940,375.96	4,097,519,315.03
Lease liabilities		136,901,569.49	
Deferred income tax liabilities		3,207,641.13	1,058,100.92
Other liabilities		56,052,632.96	65,259,861.35
Total liabilities		**29,886,297,811.89**	**27,735,703,558.53**
Equity:			
Share capital		3,869,070,700.00	3,869,070,700.00
Capital reserve		3,762,844,544.48	3,781,398,714.65
Other comprehensive income		5,435,762.48	3,174,302.76
Surplus reserve		808,084,287.96	759,912,449.33
General risk reserve		1,315,470,752.11	1,248,030,178.03
Retained earnings		170,879,423.10	42,727,658.94
Total equity		**9,931,785,470.13**	**9,704,314,003.71**
Total liabilities and equity		**39,818,083,282.02**	**37,440,017,562.24**

Legal representative:	Officer in charge of accounting:	Chief accountant:	Head of department:
(signature and stamp):	(signature and stamp):	(signature and stamp):	(signature and stamp):

Consolidated income statement for the year ended 31 December 2019

(Expressed in RMB Yuan)

Item	Note VI No.	2019	2018
I. Total operating income		**2,372,526,991.25**	**1,649,661,561.68**
Net interest income	42	28,497,623.04	259,733,035.86
Net fee and commission income	43	961,128,437.61	735,357,326.29
Including: brokerages business		517,788,467.73	433,552,676.30
Investment banking		246,803,568.01	116,558,366.14
Assets management		65,064,514.83	99,571,561.31
Investment income (or less: losses)	44	929,911,611.48	476,463,589.98
Including: Investment income from associates and joint ventures		41,652,088.18	18,017,906.79
Gains on changes in fair value(or less: losses)	45	-165,217,911.98	-106,413,957.06
Gains on foreign exchange (or less: losses)		-2,411,060.48	-2,532,285.94
Other operating income	46	588,755,236.72	283,220,101.28
Gains from assets disposal (or less: losses)	47	22,972,242.66	383.74
Other income	48	8,890,812.20	3,833,367.53
II. Total operating cost		**2,258,791,739.77**	**1,568,809,460.52**
Taxes and surcharges	49	14,420,697.18	13,393,745.46
Business and administrative expenses	50	1,303,740,016.63	1,002,555,662.61
Expected credit losses	51	349,698,115.43	287,683,309.10
Other assets impairment losses	52	9,760,642.03	31,892,706.92
Other operating costs	53	581,172,268.50	233,284,036.43
III. Operating profit (or less: losses)		**113,735,251.48**	**80,852,101.16**
Add: non-operating income	54	9,408,024.38	23,139,610.19
Less: non-operating expenditures	55	7,025,663.04	2,874,430.27
IV. Profit before tax (or less: losses)		**116,117,612.82**	**101,117,281.08**
Less: income tax expenses	56	41,034,744.40	5,259,780.10
V. Net profit (or less: net loss)		**75,082,868.42**	**95,857,500.98**
(I) Classified by continuity of operations			
1. Net profit from continuing operations (or less: net losses)		75,082,868.42	95,857,500.98
2. Net profit from discontinued operations (or less: net losses)			
(II) Classified by ownership			
1. Net profit attributable to owners of the paerent (or less: net losses)		58,222,745.44	65,787,558.62
2. Net Profit and loss of non-controlling interests(or less: net losses)		16,860,122.98	30,069,942.36
VI. Other comprehensive income after tax		**12,417,598.13**	**44,198,536.85**
Items attributable to owners of parent company		8,336,699.89	22,958,335.45
(I) Not to be reclassified subsequently to profit or loss			
(II) To be reclassified subsequently to profit or loss		8,336,699.89	22,958,335.45
1.Items attributable to investees under equity method that will be reclassified to profit or loss		2,251,346.29	
2. Changes in fair value on investments in debt instruments measured at fair value through other comprehensive income		2,249,077.30	3,156,422.83
3.Allowance for credit losses on investments in debt instruments measured at fair value through other comprehensive income		-45,081.55	195,572.86
4. Difference from translation of foreign currency financial statements		3,881,357.85	19,606,339.76
Items attributable to non-controlling interests		4,080,898.24	21,240,201.40
VII. Total comprehensive income		**87,500,466.55**	**140,056,037.83**
Including: Items attributable to owners of parent company		66,559,445.33	88,745,894.07
Items attributable to non-controlling interests		20,941,021.22	51,310,143.76
VIII. Earnings per share (EPS):			
(I) Basic EPS	58	0.02	0.02
(II) Diluted EPS		0.02	0.02

Legal representative: (signature and stamp): Officer in charge of accounting: (signature and stamp): Chief accountant: (signature and stamp): Head of department: (signature and stamp):

Company income statement for the year ended 31 December 2019

(Expressed in RMB Yuan)

Item	NoteXVII No.	2019	2018
I. Total operating income		**1,685,978,616.31**	**935,392,962.93**
Net interest income	2	-59,046,347.59	96,188,927.01
Net fee and commission income	3	815,940,086.36	593,089,083.49
Including: brokerages business		469,501,628.70	369,215,343.74
Investment banking		228,560,194.77	100,737,879.35
Assets management		45,206,688.55	69,845,551.88
Investment income (or less: losses)	4	777,548,614.50	256,457,710.52
Including: Investment income from associates and joint ventures		-773,551.12	-4,067,908.55
Gains on changes in fair value(or less: losses)		112,081,401.33	-45,707,113.00
Gains on foreign exchange (or less: losses)		30,847.35	499,150.74
Other operating income		8,043,332.18	31,123,503.62
Gains from assets disposal (or less: losses)		22,973,320.57	
Other income		8,407,361.61	3,741,700.55
II. Total operating cost		**1,296,983,395.07**	**1,036,545,140.45**
Taxes and surcharges		12,438,481.72	11,040,684.10
Business and administrative expenses	5	1,096,904,801.68	812,735,497.38
Expected credit losses		186,153,701.24	211,400,525.40
Other operating costs		1,486,410.43	1,368,433.57
III. Operating profit (or less: losses)		**388,995,221.24**	**-101,152,177.52**
Add: non-operating income		8,155,586.34	21,500,709.86
Less: non-operating expenditures		6,778,135.54	2,533,494.31
IV. Profit before tax (or less: losses)		**390,372,672.04**	**-82,184,961.97**
Less: income tax expenses		69,227,081.17	-24,517,986.63
V. Net profit (or less: net loss)		**321,145,590.87**	**-57,666,975.34**
(I) Classified by continuity of operations			
1. Net profit from continuing operations (or less: net losses)		321,145,590.87	-57,666,975.34
2. Net profit from discontinued operations (or less: net losses)			
VI. Other comprehensive income after tax		**2,261,459.72**	**3,294,531.72**
(I) Not to be reclassified subsequently to profit or loss			
(II) To be reclassified subsequently to profit or loss		2,261,459.72	3,294,531.72
1.Changes in fair value on investments in debt instruments measured at fair value through other comprehensive income		2,249,077.29	3,156,422.83
2.Allowance for credit losses on investments in debt instruments measured at fair value through other comprehensive income		12,382.43	138,108.89
VII. Total comprehensive income		**323,407,050.59**	**-54,372,443.62**

Legal representative: (signature and stamp):

Officer in charge of accounting: (signature and stamp):

Chief accountant: (signature and stamp):

Head of department: (signature and stamp):

CENTRAL CHINA SECURITIES CO., LTD.

Consolidated cash flow statement for the year ended 31 December 2019

(Expressed in RMB Yuan)

Item	Note VI No.	2019	2018
I. Cash flows from operating activities:			
Cash receipt from interests, fee and commissions		1,916,877,772.13	2,066,002,269.03
Net increase of due to banks and other financial institutions		120,000,000.00	1,226,402,399.94
Net decrease of due from other financial institutions			40,000,000.00
Net increase of financial assets held under resale agreement			2,871,402,737.92
Net decrease of resale agreements		5,680,048,334.81	123,241,354.26
Net decrease in advances to customers on margin financing			1,924,035,871.66
Cash received from brokerage clients		2,334,006,955.20	
Other cash receipts related to operating activities	59	775,420,722.91	495,712,784.44
Subtotal of cash inflows from operating activities		**10,826,353,785.05**	**8,746,797,417.25**
Net increase of financial assets at fair value through profit or loss		1,770,935,074.20	3,594,996,932.99
Net decrease of financial assets held under resale agreement		1,439,852,973.97	
Net increase in advances to customers on margin financing		1,284,847,392.28	
Net increase in cash held for brokerage clients			965,442,745.70
Net increase in acting underwriting securities			434,400,000.00
Cash payment to interests, fee charges and commissions		565,340,715.48	670,226,790.73
Cash payments to and on behalf of employees		748,006,626.60	721,224,991.85
Cash payments of taxes		314,710,691.29	149,189,319.67
Other cash payments related to operating activities	59	1,214,320,340.55	619,795,907.55
Subtotal of cash outflows from operating activities		**7,338,013,814.37**	**7,155,276,688.49**
Net cash flows from operating activities	59	**3,488,339,970.68**	**1,591,520,728.76**
II. Cash flows from investing activities:			
Cash receipt from investment income		103,301,122.28	35,045,136.49
Cash receipt from disposal of fixed assets, intangible assets and other long-term asset		41,811,328.73	1,304,931.05
Subtotal of cash inflows from investing activities		**145,112,451.01**	**36,350,067.54**
Cash payments to acquire investments		126,399,963.48	1,002,378,508.29
Cash payments to acquire fixed assets, intangible assets and other long-term assets		105,167,749.41	48,775,538.51
Subtotal of cash outflows from investing activities		**231,567,712.89**	**1,051,154,046.80**
Net cash flows from investing activities		**-86,455,261.88**	**-1,014,803,979.26**
III. Cash flows from financing activities:			
Cash receipt from investment by others			18,670,000.00
Including: cash receipts as subsidiaries' absorption of investment from non-controlling shareholders			18,670,000.00
Cash receipts from loans		3,740,032,224.18	1,876,249,633.39
Cash receipt from issuing of bonds		8,525,253,892.34	4,260,523,000.00
Subtotal of cash inflows from financing activities		**12,265,286,116.52**	**6,155,442,633.39**
Cash repayments of borrowings		12,225,037,946.72	7,274,610,824.94
Cash payments for distribution of dividends or profit or interest expenses		651,455,777.88	706,814,066.68
Including: cash payments of subsidiaries to non-controlling shareholders as distribution of dividends or profit		33,927,012.20	27,519,449.38
Other cash payments related to financing activities	59	584,905,867.76	133,397,683.54
Subtotal of cash outflows from financing activities		**13,461,399,592.36**	**8,114,822,575.16**
Net cash flows from financing activities		**-1,196,113,475.84**	**-1,959,379,941.77**
IV. Effect of foreign exchange rate changes on cash & cash equivalents		**-2,411,060.48**	**-2,532,285.94**
V. Net increase/(decrease) in cash and cash equivalents	59	**2,203,360,172.48**	**-1,385,195,478.21**
Add: Opening balance of cash and cash equivalents		9,602,115,554.08	10,987,311,032.29
VI. Closing balance of cash and cash equivalents		**11,805,475,726.56**	**9,602,115,554.08**

Legal representative: (signature and stamp): Officer in charge of accounting: (signature and stamp): Chief accountant: (signature and stamp): Head of department: (signature and stamp):

CENTRAL CHINA SECURITIES CO., LTD.

Company cash flow statement for the year ended 31 December 2019

(Expressed in RMB Yuan)

Item	NoteXVII No.	2019	2018
I. Cash flows from operating activities:			
Cash receipt from interests, fee and commissions		1,564,495,346.34	1,677,083,911.41
Net increase of due to banks and other financial institutions		120,000,000.00	1,226,402,399.94
Net decrease of due from other financial institutions			40,000,000.00
Net increase of financial assets held under resale agreement			2,871,402,737.92
Net decrease of resale agreements		5,669,050,871.31	
Net decrease in advances to customers on margin financing			1,674,578,345.55
Cash received from brokerage clients		2,299,626,262.98	
Other cash receipts related to operating activities		194,636,101.48	79,406,511.32
Subtotal of cash inflows from operating activities		**9,847,808,582.11**	**7,568,873,906.14**
Net increase of financial assets at fair value through profit or loss		3,082,895,332.00	3,004,048,295.61
Net decrease of financial assets held under resale agreement		1,439,852,973.97	
Net increase of resale agreements			8,284,145.74
Net increase in advances to customers on margin financing		1,450,440,993.74	
Net increase in cash held for brokerage clients			1,049,743,717.18
Net increase in acting underwriting securities			434,400,000.00
Cash payment to interests, fee charges and commissions		517,801,713.38	605,718,837.37
Cash payments to and on behalf of employees		630,347,197.40	590,790,941.60
Cash payments of taxes		236,336,070.97	72,788,037.69
Other cash payments related to operating activities		792,812,762.93	98,456,030.97
Subtotal of cash outflows from operating activities		**8,150,487,044.39**	**5,864,230,006.16**
Net cash flows from operating activities	6	**1,697,321,537.72**	**1,704,643,899.98**
II. Cash flows from investing activities:			
Cash receipt from return of investments		134,787,756.07	
Cash receipt from investment income		99,390,537.52	9,484,008.99
Cash receipt from disposal of fixed assets, intangible assets and other long-term asset		41,765,748.24	1,937,286.24
Subtotal of cash inflows from investing activities		**275,944,041.83**	**11,421,295.23**
Cash payments to acquire investments			669,943,668.97
Cash payments to acquire fixed assets, intangible assets and other long-term assets		98,919,190.92	44,726,488.92
Subtotal of cash outflows from investing activities		**98,919,190.92**	**714,670,157.89**
Net cash flows from investing activities		**177,024,850.91**	**-703,248,862.66**
III. Cash flows from financing activities:			
Cash receipt from issuing of bonds		8,525,253,892.34	4,260,523,000.00
Subtotal of cash inflows from financing activities		**8,525,253,892.34**	**4,260,523,000.00**
Cash repayments of borrowings		8,189,169,000.00	5,089,908,000.00
Cash payments for distribution of dividends or profit or interest expenses		542,228,264.55	600,692,608.21
Other cash payments related to financing activities		46,308,316.33	133,397,683.54
Subtotal of cash outflows from financing activities		**8,777,705,580.88**	**5,823,998,291.75**
Net cash flows from financing activities		**-252,451,688.54**	**-1,563,475,291.75**
IV. Effect of foreign exchange rate changes on cash & cash equivalents		**30,847.35**	**499,150.74**
V. Net increase/(decrease) in cash and cash equivalents	6	**1,621,925,547.44**	**-561,581,103.69**
Add: Opening balance of cash and cash equivalents		8,227,607,657.53	8,789,188,761.22
VI. Closing balance of cash and cash equivalents		**9,849,533,204.97**	**8,227,607,657.53**

Legal representative: (signature and stamp): Officer in charge of accounting: (signature and stamp): Chief accountant: (signature and stamp): Head of department: (signature and stamp):

CENTRAL CHINA SECURITIES CO., LTD.

Consolidated statement of changes in equity for the year ended 31 December 2019

(Expressed in RMB Yuan)

Item	2019								
	Equity attributable to owners of parent company							Non-controlling interest	Total equity
	Share capital/ Paid-in capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Retained earnings	Subtotal		
I. Balance at the end of prior year	**3,869,070,700.00**	**3,756,106,523.53**	**28,206,891.34**	**759,912,449.33**	**1,298,870,167.26**	**238,731,987.53**	**9,950,898,718.99**	**1,324,140,998.47**	**11,275,039,717.46**
Add: Changes of accounting policies									
Error correction of early stage									
Others									
II. Balance at the beginning of current year	**3,869,070,700.00**	**3,756,106,523.53**	**28,206,891.34**	**759,912,449.33**	**1,298,870,167.26**	**238,731,987.53**	**9,950,898,718.99**	**1,324,140,998.47**	**11,275,039,717.46**
III. Current period increase (or less: decrease)		**-268,868,737.57**	**8,336,699.89**	**48,171,838.63**	**83,168,754.02**	**-150,499,261.21**	**-279,690,706.24**	**-497,562,557.45**	**-777,253,263.69**
(I) Total comprehensive income			8,336,699.89			58,222,745.44	66,559,445.33	20,941,021.22	87,500,466.55
(II) Capital contributed or withdrawn by owners		-250,326,601.51					-250,326,601.51	-484,576,566.47	-734,903,167.98
1. Capital contributed by owners									
2. Capital contributed by holders of other equity instruments									
3. Amount of share-based payment included in equity									
4. Others		-250,326,601.51					-250,326,601.51	-484,576,566.47	-734,903,167.98
(III) Profit distribution				48,171,838.63	83,168,754.02	-208,722,006.65	-77,381,414.00	-33,927,012.20	-111,308,426.20
1. Appropriation to surplus reserve				48,171,838.63		-48,171,838.63			
2. Appropriation to general risk reserve					83,168,754.02	-83,168,754.02			
3. Cash dividend recognized as distribution						-77,381,414.00	-77,381,414.00	-33,927,012.20	-111,308,426.20
4. Others									
(IV) Internal carry-over within equity									
1. Transfer of capital reserve to capital									
2. Transfer of surplus reserve to capital									
3. Surplus reserve to cover losses									
4. Others									
(V) Others		-18,542,136.06					-18,542,136.06		-18,542,136.06
IV. Balance at the end of current period	**3,869,070,700.00**	**3,487,237,785.96**	**36,543,591.23**	**808,084,287.96**	**1,382,038,921.28**	**88,232,726.32**	**9,671,208,012.75**	**826,578,441.02**	**10,497,786,453.77**

Legal representative: (signature and stamp):

Officer in charge of accounting: (signature and stamp):

Chief accountant: (signature and stamp):

Head of department: (signature and stamp):

Consolidated statement of changes in equity for the year ended 31 December 2019 (continued)

(Expressed in RMB Yuan)

Item	2018								
	Equity attributable to owners of parent company							Non-controlling interest	Total equity
	Share capital/ Paid-in capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Retained earnings	Subtotal		
I. Balance at the end of prior year	**3,923,734,700.00**	**3,834,851,234.06**	**-21,687,932.62**	**759,323,041.28**	**1,273,612,926.64**	**400,017,717.67**	**10,169,851,687.03**	**1,282,267,498.43**	**11,452,119,185.46**
Add: Changes of accounting policies			26,936,488.51	589,408.05	32,471.64	-27,740,338.28	-181,970.08	-587,194.34	-769,164.42
Error correction of early stage									
Others									
II. Balance at the beginning of current year	**3,923,734,700.00**	**3,834,851,234.06**	**5,248,555.89**	**759,912,449.33**	**1,273,645,398.28**	**372,277,379.39**	**10,169,669,716.95**	**1,281,680,304.09**	**11,451,350,021.04**
III. Current period increase (or less: decrease)	**-54,664,000.00**	**-78,744,710.53**	**22,958,335.45**		**25,224,768.98**	**-133,545,391.86**	**-218,770,997.96**	**42,460,694.38**	**-176,310,303.58**
(I) Total comprehensive income			22,958,335.45			65,787,558.62	88,745,894.07	51,310,143.76	140,056,037.83
(II) Capital contributed or withdrawn by owners	-54,664,000.00	-78,733,683.54					-133,397,683.54	18,670,000.00	-114,727,683.54
1. Capital contributed by owners								18,670,000.00	18,670,000.00
2. Capital contributed by holders of other equity instruments									
3. Amount of share-based payment included in equity									
4. Others	-54,664,000.00	-78,733,683.54					-133,397,683.54		-133,397,683.54
(III) Profit distribution					25,224,768.98	-199,332,950.48	-174,108,181.50	-27,519,449.38	-201,627,630.88
1. Appropriation to surplus reserve									
2. Appropriation to general risk reserve					25,224,768.98	-25,224,768.98			
3. Cash dividend recognized as distribution						-174,108,181.50	-174,108,181.50	-27,519,449.38	-201,627,630.88
4. Others									
(IV) Internal carry-over within equity									
1. Transfer of capital reserve to capital									
2. Transfer of surplus reserve to capital									
3. Surplus reserve to cover losses									
4. Others									
(V) Others		-11,026.99					-11,026.99		-11,026.99
IV. Balance at the end of current period	**3,869,070,700.00**	**3,756,106,523.53**	**28,206,891.34**	**759,912,449.33**	**1,298,870,167.26**	**238,731,987.53**	**9,950,898,718.99**	**1,324,140,998.47**	**11,275,039,717.46**

Legal representative: (signature and stamp):

Officer in charge of accounting: (signature and stamp):

Chief accountant: (signature and stamp):

Head of department: (signature and stamp):

CENTRAL CHINA SECURITIES CO., LTD.

Company statement of changes in equity for the year ended 31 December 2019

(Expressed in RMB Yuan)

Item	2019						
	Share capital/ Paid-in capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Retained earnings	Total equity
I. Balance at the end of prior year	**3,869,070,700.00**	**3,781,398,714.65**	**3,174,302.76**	**759,912,449.33**	**1,248,030,178.03**	**42,727,658.94**	**9,704,314,003.71**
Add: Changes of accounting policies							
Error correction of early stage							
Others							
II. Balance at the beginning of current year	**3,869,070,700.00**	**3,781,398,714.65**	**3,174,302.76**	**759,912,449.33**	**1,248,030,178.03**	**42,727,658.94**	**9,704,314,003.71**
III. Current period increase (or less: decrease)		**-18,554,170.17**	**2,261,459.72**	**48,171,838.63**	**67,440,574.08**	**128,151,764.16**	**227,471,466.42**
(I) Total comprehensive income			2,261,459.72			321,145,590.87	323,407,050.59
(II) Capital contributed or withdrawn by owners							
1. Capital contributed by owners							
2. Capital contributed by holders of other equity instruments							
3. Amount of share-based payment included in equity							
4. Others							
(III) Profit distribution				48,171,838.63	67,440,574.08	-192,993,826.71	-77,381,414.00
1. Appropriation to surplus reserve				48,171,838.63		-48,171,838.63	
2. Appropriation to general risk reserve					67,440,574.08	-67,440,574.08	
3. Cash dividend recognized as distribution						-77,381,414.00	-77,381,414.00
4. Others							
(IV) Internal carry-over within equity							
1. Transfer of capital reserve to capital							
2. Transfer of surplus reserve to capital							
3. Surplus reserve to cover losses							
4. Others							
(V) Others		-18,554,170.17					-18,554,170.17
IV. Balance at the end of current period	**3,869,070,700.00**	**3,762,844,544.48**	**5,435,762.48**	**808,084,287.96**	**1,315,470,752.11**	**170,879,423.10**	**9,931,785,470.13**

Legal representative: (signature and stamp):

Officer in charge of accounting: (signature and stamp):

Chief accountant: (signature and stamp):

Head of department: (signature and stamp):

CENTRAL CHINA SECURITIES CO., LTD.

Company statement of changes in equity for the year ended 31 December 2019(continued)

(Expressed in RMB Yuan)

Item	2018						
	Share capital/ Paid-in capital	**Capital reserve**	**Other comprehensive income**	**Surplus reserve**	**General risk reserve**	**Retained earnings**	**Total equity**
I. Balance at the end of prior year	**3,923,734,700.00**	**3,860,143,425.18**	**3,659,945.95**	**759,323,041.28**	**1,247,205,006.76**	**271,988,008.08**	**10,066,054,127.25**
Add: Changes of accounting policies			-3,780,174.91	589,408.05	825,171.27	2,514,807.70	149,212.11
Error correction of early stage							
Others							
II. Balance at the beginning of current year	**3,923,734,700.00**	**3,860,143,425.18**	**-120,228.96**	**759,912,449.33**	**1,248,030,178.03**	**274,502,815.78**	**10,066,203,339.36**
III. Current period increase (or less: decrease)	**-54,664,000.00**	**-78,744,710.53**	**3,294,531.72**			**-231,775,156.84**	**-361,889,335.65**
(I) Total comprehensive income			3,294,531.72			-57,666,975.34	-54,372,443.62
(II) Capital contributed or withdrawn by owners	-54,664,000.00	-78,733,683.54					-133,397,683.54
1. Capital contributed by owners							
2. Capital contributed by holders of other equity instruments							
3. Amount of share-based payment included in equity							
4. Others	-54,664,000.00	-78,733,683.54					-133,397,683.54
(III) Profit distribution						-174,108,181.50	-174,108,181.50
1. Appropriation to surplus reserve							
2. Appropriation to general risk reserve							
3. Cash dividend recognized as distribution						-174,108,181.50	-174,108,181.50
4. Others							
(IV) Internal carry-over within equity							
1. Transfer of capital reserve to capital							
2. Transfer of surplus reserve to capital							
3. Surplus reserve to cover losses							
4. Others							
(V) Others		-11,026.99					-11,026.99
IV. Balance at the end of current period	**3,869,070,700.00**	**3,781,398,714.65**	**3,174,302.76**	**759,912,449.33**	**1,248,030,178.03**	**42,727,658.94**	**9,704,314,003.71**

Legal representative: (signature and stamp):

Officer in charge of accounting: (signature and stamp):

Chief accountant: (signature and stamp):

Head of department: (signature and stamp):

I. Company profile

CENTRAL CHINA SECURITIES CO., LTD.(English abbreviation of the Company:CCSC) according to CSRC's Reply Concerning Approval of Opening of Central China Securities Co., Ltd. (Zheng Jian Ji Gou Zi [2002] No.326), and Henan Provincial People's Government's replyr of Approvaling to Central China Securities Co.,Ltd. (Yu Gu Pi Zi [2002]No.31), Henan Finance Securities Company Limited,, and the Securities branch of Anyang Trust & Investment Company Limited merged and reorganised into one, which later joined other qualified companies to form Central China Securities Co., Ltd. after increase in capital and share. The Company was registered with Henan Administration for Industry & Commerce on 8 November 2002 with a registered capital of RMB1,033,790,000.00. The structure of registered capital are as follow:

Company	RegisteredCapital(inRMB)	Rate of Registered Capital(%)
XujiGroupCo.,Ltd.	420,000,000.00	40.627
HenanEconomicandTechnologicalDevelopmentCompany	363,618,400.00	35.173
HenanConstructionInvestmentCorporation	100,000,000.00	9.673
AnyangIron&SteelGroupCo.,Ltd.	100,000,000.00	9.673
AnyangEconomicDevelopmentGroupCo.,Ltd.	16,980,800.00	1.643
AnyangTrust&InvestmentCompanyLimited	10,522,500.00	1.018
HenanShenhuoGroupCo.,Ltd	10,000,000.00	0.967
JiaozuoEconomicandTechnologyDevelopmentCo.,Ltd.	7,668,300.00	0.742
HebiConstruction&InvestmentGroupCo.,Ltd.	5,000,000.00	0.484

On 31 December 2002, according to CSRC's Reply Concerning Approval of Opening of Central China Securities Co.,Ltd. (Zheng Jian Ji Gou Zi [2002]No.326), and Henan Provincial People's Government's Letter of Adjusting the Structure of Central China Securities Co.,Ltd. (Yu Zheng Han[2001]No.66), CCSC signed the Securities Asset Acquisition Agreement with Henan Securities Co., Ltd. to acquire the securities assets from the headquarter, 19 operating offices, and 11 servicing offices.

In January 2003, the CCSC signed the "Securities Asset Acquisition Agreement" with City Finance Bureau of Zhumandian, City Finance Bureau of Mengzhou and City Finance Bureau of Xuchango to acquire Zhumadian National Debt Service Department and Mengzhou National Debt Service and Xuchang City National Debt Department.

On 4 Januray 2007, People's Government of Anyang issued the Reply Concerning Approval of Anyang Economic Development Group Co., Ltd. to make up for the CCSC's Capital insufficiency

(An Zheng Wen[2007]No.3), transferring the 1,052,250,000.00 RMB of shares of CCSC held by the Anyang Trust & Investment Company Limited to Anyang Economic & Development Group Co., Ltd.

In june 2008, according to the resolution of the Company's fifth general meeting of shareholders, with the approval of CSRC's Reply on Approval of Change of Registered Capital of Central China Securities Co., LTD. (Zhenjian Xuke [2008] No. 94), the registered capital of the Company increased by RMB 999,725,700.00, among them: all the shareholders shall contribute RMB 500,000,000.00 in currency, and the undistributed profits shall be converted into increased capital stock RMB 499,725,700.00. On 10 June 2008, according to CSRC's Reply on Approval of Equity Alteration of Central China Securities Co., LTD. (Zhenjian Xuke [2008] No. 781), Henan Investment Group was approved by the CSRC to receive 196,704,200 shares of the Company (accounting for 9.673% of the registered capital) held by Henan Construction Investment Corporation and 715,253,600.00 shares of the Company (accounting for 35.173% of the registered capital) held by Henan Economic and Technology Development Co., Ltd., the Company’s registered capital changed from RMB 1,033,790,000.00 to RMB 2,033,515,700.00 ,The capital increase was verified by Zhongrui Yuehua Certified Public Accountants on 16 June 2018 with Zhongrui Yuehua Yanzi[2008] No.2141 capital verification report. The registered capital after the capital increase is as follows:

Company	**RegisteredCapital(inRMB)**	**Rate of Registered Capital(%)**
Henan Investment Group Co.,Ltd.	911,957,800.00	44.846
Xuji Group Co.,Ltd.	826,159,600.00	40.627
Anyang Iron & Steel Group Co., Ltd.	196,704,200.00	9.673
Anyang Economic Development Group Co., Ltd.	54,103,200.00	2.661
Henan Shenhuo Group Co.,Ltd	19,668,900.00	0.967
Jiaozuo Economic and Technology Development Co., Ltd.	15,085,100.00	0.742
Hebi Construction & Investment Group Co., Ltd.	9,836,900.00	0.484

On 1 June, 2011, according to the Henan Securities Regulatory Bureau of the China Securities Regulatory Commission, "No Objection Letter on the Approval of Zhongyuan Securities Co., Ltd. to Change the Shareholders Holding Less than 5%" (Yuzheng Jianhan [2011] No. 111), Jiangsu Province Silk Group Co., Ltd. (later renamed Jiangsu Soho Holding Group Co., Ltd.), Guangzhou Libai Investment Co., Ltd., Jiangsu Huiyou Sweater Co., Ltd., Shenzhen Guangsheng Investment Development Co., Ltd., Zhangjiagang Bonded Technology Co., Ltd., China Pingmei Shenma Energy Chemical Group Co., Ltd., Henan Jinlong Industrial Co., Ltd. and Shandong Global Fishing Tackle Co., Ltd. were transferred equity to Xu Ji Group Co., Ltd. for RMB 30.00 million, RMB 20.00 million, RMB 10.00 million, RMB 10.00 million, RMB 83,159,600.00, RMB 16.00 million and RMB 15.00 million respectively.

On 26 September 2011, the CSRC approved that Bohai Industrial Investment Fund Management Co., Ltd. (on behalf of Bohai Industrial Investment Fund) was qualified to hold more than 5% of equity of Central China Securities Co., Ltd. (Zhengjian Xuke[2011] No. 1534) as a shareholder and to receive 608,000,000.00 shares of the Company held by Xuji Group Co., Ltd.

On 6 April 2012, According to Henan Branch of the China Securities Regulatory Commission’s no objection letter of changing shareholders who hold less than 5% (Yu Zheng Jian Han[2012]No.41), the RMB 24,000,000.00 shares which Xuji Group Co.,Ltd.hold transferred to Xuchang Splett Building Material Technology Co.,Ltd.

On 22 April 2014, According to the China Securities Regulatory Commission’s Reply Concerning of Central China Securities Co., Ltd. to issue shares overseas(CSRC License[2014]No.438), CCSC were approved to issue no more than 598,100,000.00 overseas ordinary shares with par value of 1 RMB per share. On 24 June 2014, the Stock Exchange of Hong Kong Ltd.(Hong Kong Stock Exchange). issued approval to allow CCSC to trade publicly the main board. On 25 June 2014, shares issued overseas by the Company were listed on the main board of Hong Kong Stock Exchange (stock abbreviation:中原证券; stock code: 1375,HK). After the Completion of the H-share issue,, the registered capital increased to RMB 2,631,615,700.00.

On 15 June, 2015, the Company 2015 second interim general Meeting of shareholders, the first meeting of shareholders of Domestic shares and the first Meeting of Shareholders of H-shares deliberated and approved the Proposal on the Additional Issuance of H-shares by Central China Securities Co., Ltd. and agreed that the Company would not issue more than 592,119,000.00 H-shares.On 21 July, 2015, the Company received the China Securities Regulatory Commission's Reply on the Approval of The additional Issuance of Overseas Listed Foreign Capital shares by Central China Securities Co., LTD., which approved the additional issuance of no more than 592,119,000.00 H shares.

The non-public issuance of 592,119,000.00 H Shares to at least 6 shareholders was completed by the Company on 3 August, 2015 with a par value of 1 RMB at an issue price of HK$4.28 per H share. On 14 August, 2015, The registered capital with the Henan Administration for Industry & Commerce, with the registered capital increased to RMB 3,223,734,700.00.

On 18 November, 2016, The third extraordinary General Meeting of shareholders, the second meeting of shareholders of Domestic shares and the second Meeting of Shareholders of H-shares of the Company in 2016 made the resolutions, On 25 November, 2016, the Company was approved by the China Securities Regulatory Commission for the Initial Public Offering of Shares of Central China Securities Co., LTD. (Zhenjian Xuke [2016] No.2868), the Company was approved to issue no more than 700.00 million denominated ordinary shares, with a par value of 1.00 RMB each, after which the Company's registered capital has increased to RMB 3,923,734,700.00 . The Company has actually issued 700.00 million ordinary shares with a par value of 1.00 RMB per share. After the issuance, the registered capital increased to RMB3,9,734,700.00 . On 3 January ,2017, the Company was listed on the Shanghai Stock Exchange. According to the Implementing Measures for the Transfer of Some State-owned Shares from the Domestic Securities Market to the National Social Security Fund (Cai Qi [2009] No.94) issued by CSRC and the Reply Concerning Proposal for Management of State-owed Equities and Transfer of State-owned Shares in Relation to the Issuance of A Shares by Central China Securities Co., Ltd. (Yu Guo Zi Chan Quan [2015] No.26)issued by the SASAC of Henan Province, of the 700,000,000 shares to be issued under this issuance, state-owned shareholders Henan Investment Group, Anyang Iron & Steel Group, Pingmei Shenma, Anyang Economic Development, Jiangsu SOHO Holdings, Shenhuo Group, Jiaozuo Economic and Technology Development, Shenzhen Rising and Hebi Construction and Investment would transfer their 47,979,175.00 shares, 10,348,840.00 shares, 4,375,124.00 shares, 2,846,433.00 shares, 1,578,336.00 shares, 1,034,804.00 shares, 793,645.00 shares, 526,112.00 shares and 517,531.00 shares (70,000,000.00 shares in total), respectively, to National Council for Social Security Fund.

On May 22, 2017, 2016 annual general meeting of shareholders, the Company in 2017 for the first time in A class of stock shareholders and for the first time 2017 H shares category the shareholders' committee examined and approved the Central China securities co., LTD. About the Company H shares bought back through the exchanges of bill, the Company proposed by the court to buy back part H shares in the form of share buybacks.On 24 January, 2018, the Company received the Response for Approving the change of Registered Capital of CCSC (CSRC License.[2018] No.144), the registered capital of the approved company was changed from RMB 3,923,734,700.00 to not less than RMB 3,798,731,800.00. The Company repurchased certain H shares by means of on-market share buyback, which was completed on 18 May, 2018. The Company has repurchased 54,664,000.00 H shares on a cumulative basis (accounting for 4.37% of the number of the shares and 1.39% of the capital stock, before the repurchasing). On 23 May, 2018, the Company completed the share repurchase write-off . On 11 July, 2018, the Company completed the registration of changes with the administrative department for industry and commerce and obtained the business licence reissued by the Henan Administration. The registered capital increased to RMB.3,869,070,700.00.00

Legal representative: Mingjun Jian Address：10 Business Outer Ring Road, Zhengdong New District, Zhengzhou City, Henan Province, China.

The Company belongs to the financial industry and its business scope includes: Securities broking business, investment consulting, financial advisors related to securities trading and securities investment activities, securities underwriting and sponsorship; securities self-employment; securities asset management; securities investment fund agency sales;provide intermediate introduction service for futures companies;Intermediate introduction business; financing and securities lending business; consignment financial products business.

The basic organizational structure of the Company: the general meeting of shareholders is the Company’s authority, the board of directors is the Company’s decision-making body, the manager is the Company’s executive body, It consists of the office of the Board of Directors, Board of Supervisors, Audit Headquarters ,Development Strategy Committee, Remuneration and Nomination Committee, Audit Committee, Risk Control Committee, Corporate Office, Strategic Development Department, Party Committee Work Department, Mass Work Department, Securities Discipline Inspection and Supervision Team in Central China Securities, Inspection Work Office, Human Resources Management Headquarters, Planning Finance Headquarters, Funds Operation Headquarters, Transaction Settlement Headquarters, Information Technology Headquarters, Risk Management Headquarters, Legal Affairs Headquarters, Compliance Management Headquarters, Brokerage Operations Management Headquarters, Retail Business Headquarters, Liangrong and Derivative Business Department, Network Finance Department, Market Making Business Headquarters, Securities Research Institute, Pledged Financing Department, Strategic Customer Department, Asset Custody Headquarters, Asset Management Headquarters, Financial Market Department, Logistics Service Center, Construction Project Office, Beijing Comprehensive Management Department, Financial Products Department, Securities Investment Headquarters, Fixed Income Investment , Capital Markets I, Capital Markets II, Zhengzhou Investment Bank Headquarters, Investment Bank Operations Management Headquarters, Corporate Finance I, Corporate Finance II, Corporate Finance III, Corporate Finance IV, Corporate Finance VI, Inclusive Finance Ministry, Corporate Department of Finance (International Business Department), Enterprise Finance Department 9, Enterprise Finance Department 10, Enterprise Finance Department 11, Bond and Structure Finance Department, Quality Control Headquarters, Finance Management Department, M & A Financing Department and other functional departments.

As of the end of the Reporting Period, the Company had 88 securities branches in 13 provinces and had 27 branch offices, autonomous regions and municipalities directly under the central government. the Company directly owned 4 domestic subsidiaries and 1 overseas subsidiary, including Central China Futures Co., Ltd. (“CCF”), Zhongding Kaiyuan Venture Capital Management Co., Ltd.(“ZDKY”), Central China International Financial Holdings Co., Ltd. (“CCIFHC”), Central China Blue Ocean Investment Management Co., Ltd.(“CCBO”), Central China Equity Exchange Co., Ltd.(“CCEEC”). The Company had 8 third level-holding subsidiaries, including Yuxin Investment Management (Shanghai) Co., Ltd.(“Yuxin Investment”), Henan Zhongzheng Kaiyuan Venture Capital

Fund Management Co.,Ltd.("ZZKY"), Henan Central China Micro-lending Company Limited("Central China Micro-lending Henan"), Central China International Holdings Co., Ltd.("Central China International Holdings"), Central China International Investment Co., Ltd.("Central China International Investment"), Central China International Securities Co., Ltd.("Central China International Securities"), Central China International Futures Co., Ltd.("Central China International Futures"), Central China International Financing Co., Ltd.("Central China International Financing"). Central China International Financial Group Limited("Central China International Financial Group") is forth level-holding subsidiaries of CCSC.

II.The Range of Consolidated Financial Statements

The Company's Consolidated Financial Statements included directly or indirectly controlled subsidiaries and structured entities. For details, please refer to Note VIII of this report.

III. The Rule of establishment

1. Preparation basis

On the basis of going concern, the Company's financial statements have adopted the Accounting Standards for Business Enterprises (ASBEs) and relevant provisions Issued by the Ministry of Finance and combined with actual transactions and events, the details of the Company's accounting policies and estimates can be found in "Note IV. Significant accounting policies and estimates".

2. Assessment of the ability to continue as a going concern

Based on the Company's profit of recent years and supportive financial resources, it is reasonable to prepare the financial statements based on going concern.

IV. Significant accounting policies and estimates

Notice on the specific accounting policies and estimates: the Group formulated specific accounting policies and accounting estimates according to actual production and operation characteristics, including the clients' transaction settlement funds, financial instruments, securities underwriting business, entrusted investment management business, margin & short selling business, purchase resale and sell repurchase business, income recognition, etc.

1. Statement of compliance

The financial statements have been prepared in accordance with the requirements of China Accounting Standards for Business Enterprises (ASBEs), and present truly and completely the financial position as at 31 December, 2019, results of operations and cash flows for the year 2019. of the Company and the Group.

2. Accounting period

The Company's accounting year starts on 1 January and ends on 31 December in Gregorian calendar.

3. Functional currency

The Company's functional currency is Renminbi (RMB).

4. Basis of accounting and pricing principles

The Company accounting is based on accrual basis. Except financial asset at fair value through profit or less, bond investment, financial liabilities at fair value through profit or loss,etc which are measured at fair value, are measured at historical cost.

5. Accounting for business combination

Assets and liabilities arising from business combination under common control are measured at carrying amount of the combined party included in the consolidated financial statements of the ultimate controlling party on the combination date. Difference between carrying amount of the equity of the combined party included in the consolidated financial statements of the ultimate controlling party and that of the combination consideration or total par value of shares issued is adjusted to capital reserve, if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings. For business combination under non-common control, the identifiable assets acquired and the liabilities assumed are recognized at their fair value on the acquisition date. The combination cost is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree (the cost of the combination through multiple transactions is the sum of the cost of each transaction). When combination cost is in excess of the fair value of identifiable net assets obtained from the acquiree on the acquisition date, the excess is recognized as goodwill; otherwise, the fair value of identifiable assets, liabilities and contingent liabilities, and the measurement of the combination cost are reviewed, then the difference is recognized in profit or loss.

6. Preparation method of consolidated financial statements

The scope of the Company's consolidated financial statements is consisted of the Company and its subsidiaries. Subsidiaries refer to the entities controlled by the Company, including companies, divisible part of the investees and structured entities under control, etc.

If the accounting policies or accounting periods of the subsidiaries are different from those of the Company, when preparing the consolidated financial statements, necessary adjustments to the financial statements of the subsidiaries based on its own accounting policies and accounting periods are made accordingly.

All significant intergroup accounts, transactions and unrealized profit between the Company and its subsidiaries are eliminated on consolidation. The portion of a subsidiary's net profit of the period, other comprehensive income and total comprehensive income that is not attributable to the parent is treated as minority interests and presented in the consolidated financial statement as "non-controlling interests, net profit attributable to non-controlling interests and total comprehensive income attributable to non-controlling interests".

For the subsidiary acquired under common control, its operating results and cash flow are incorporated into the consolidated financial statements at the beginning of the period. When compiling the comparable consolidated financial statements, the related items of the financial statements of the previous year are adjusted, as the reporting entity formed after the combination have existed since the ultimate controlling party began to control.

For the subsidiary acquired under non-common control, the operating results and cash flows are incorporated into the consolidated financial statements from the date of the Company's control. In the preparation of consolidated financial statements, the financial statements of subsidiaries are adjusted on the basis of the fair value of identifiable assets, liabilities and contingent liabilities established on the date of purchase.

When preparing the consolidated financial statements that the Company partially disposes its subsidiaries without loss of control, the capital premium or the equity premium should be adjusted in accordance with the difference between the disposal consideration and the constant calculated share on net assets from the purchase date or the combination date of the disposed long-term equity investment. If the capital accumulation is insufficient, retained earnings should be adjusted.

When preparing the consolidated financial statements that the Company loses its control over the investors because of the disposal of some equity investment, the residual equity is re-measured in accordance with its fair value on the day of loss of control rights. The difference between the sum of the fair value of the right and residual equity and the constant calculated share on net assets from the purchase date or the combination date of the disposed long-term equity investment is recognized as profit and loss in the period of loss of control, while the goodwill is reduced at the same time. Other comprehensive income related to the equity investment of the original subsidiary is converted to the current investment profit and loss in the period of loss of control.

When the Company disposes of its subsidiaries until the loss of control through multiple transactions, if the multiple transactions of disposal belong to the package of transactions, the transactions should be treated as one transaction of disposal a subsidiary. The difference in the share of the net assets of each disposal price prior to the disposal of the investment, before loss of control, is recognized as other comprehensive income in the consolidated financial statements, and the loss of control is transferred to the investment gains and losses in the current period of loss of control.

7. Confirmation standard of cash and cash equivalents

Cash as presented in cash flow statement refers to cash on hand and demand deposits. Cash equivalents refer to short-term, highly liquid investments that are readily convertible into known amounts and which are subject to an insignificant risk of changes in value.

8. Foreign currency transaction and foreign currency statement translation

Transactions denominated in foreign currency are translated into RMB at the spot exchange rate on the transaction date at initial recognition. On the balance sheet date, monetary items denominated in foreign currency are translated at the spot exchange rate on the balance sheet date with difference, except for those arising from the principal and interest of exclusive borrowings eligible for capitalization, included in the profits or losses; non-cash items carried at historical costs are translated at the spot exchange rate on the transaction date, with its RMB amount unchanged; non-cash items carried at fair value in foreign currency are translated at the spot exchange rate on the date when the fair value was determined, with difference included in the profits or losses or other comprehensive income.

9. Financial assets and financial liabilities

Financial instruments refer to contracts that form the financial assets of an enterprise and form financial liabilities or equity instruments of other units.

(1) Initial recognition and measurement of financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus any variance in the case of the fair value of a financial asset or financial liability changes in the future. Related transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability are recognized as profit and loss. Related transaction costs of other financial assets and financial liabilities are included in the initial recognized value.

(2) Classification of financial assets

Based on the Group's business model for managing the assets and the characteristics of the contractual cash flows of the asset, financial assets are classified as the following three categories:

(i) Amortized cost assets；

(ii) Financial assets at fair value through other comprehensive income；

(iii) Financial assets at fair value through profit or loss.

The classification of financial assets depends on the business model of how the Company manage its assets and the characteristics of the cash flow of the assets.

Business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets, cash flows arising from the sale of assets, or both. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model and measured at FVPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed, and how managers are compensated.

The cash flow characteristics of the financial instrument contract represents the cash flow characteristics that the financial instrument contracts agree and reflects the economic characteristics of related financial assets. The characteristic of contractual cash flow that is consistent with basic lending agreement means the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The principal means the fair value at the initial recognition, where the interest means the assessments of time value of money, credit risk, and other basic leading risks and a profit margin that is consistent with a basic lending arrangement. The characteristic of the contractual cash flow of the Company's financial assets that are amortized over the contractual period and the financial assets measured at fair value with the variance reflected in other comprehensive income or loss matches the basic lending agreement.

When the Company modifies its business model on managing financial assets, it will reclassify all the impacted financial assets and make adjustment prospectively starting from the date of reclassification. The Company is not allowed to adjust its gains, losses, or interests retroactively. The reclassification date is the first date of the reporting period after the business model is modified as a result of the reclassification of financial assets.

The classification requirements for debt instruments assets and equity instruments assets are described as below:

① Debt Instruments

It means that from the issuer's perspective, the instrument that meets the definition of financial debt. Based on business model for managing the assets and the characteristics of the contractual cash flows of the asset, the Group classifies its debt instruments into one of the following three measurement categories:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent SPPI and that are not designated as at FVPL, are measured at amortised cost.

Fair value through other comprehensive income: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI and that are not designated as at FVPL, are measured at FVOCI.

Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL.

The Group may also irrevocably designate financial assets at fair value through profit or loss if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases.

② Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; The financial assets held by the Company are equity instruments provided that the following conditions are met simultaneously:

(a) contractual obligation to pay or exchange financial assets or liabilities with other parties under potentially adverse conditions;

(b) In the future, the financial instruments must be settled with the issuer's own equity instruments. If it is a non-derivative instrument, the financial instrument should not include the contractual obligation to deliver a variable amount of its own equity instruments for settlement; if it is a derivative instrument, the issuer can only exchange a fixed amount of its own equity instrument for a fixed amount cash or other financial assets.

The Company's equity instrument investment are all classified as financial assets measured at fair value and their changes are included in profit or loss, except for management financial assets that have been irrevocably designated as measured by fair value and the changes which included in other comprehensive income. The Company's policy on the above-mentioned designation is to designate equity instrument investments that are not for the purpose of obtaining investment income to be measured at fair value and their changes are included in other comprehensive income.

For financial assets with embedded derivatives, when determining whether the contractual cash flow is only for principal and interest payments, analyze it as a whole.

(3) Classification of financial liabilities

Financial liabilities are classified as and subsequently measured at amortised cost, except:

(i) financial liabilities at FVPL: It includes financial liabilities held for trading (including derivative instruments belonging to financial liabilities) and financial liabilities designated at the initial recognition as measured at fair value and whose changes are recorded into profit and loss.

(ii) financial liabilities are recognized because the financial assets transfer does not meet the derecognition condition. When the financial assets transfer does not meet the derecognition condition, the Company, the Company recognizes financial liabilities based on the consideration received from the transfer, and recognizes all expenses incurred due to the liabilities in subsequent period;

(iii) financial guarantee contract and loan commitment.

(4)Subsequent measurement of financial instruments

①Amortised cost

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition: (i) minus the principal repayments; (ii) plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and; (iii) for financial assets, adjusted for any loss allowance.(applies only to financial assets)

The actual interest rate refers to the interest rate used to discount the estimated future cash flow of a financial asset or financial liability in the expected duration into the book balance of the financial asset or the amortized cost of the financial liability. In determining the actual interest rate, the Company will estimate the expected cash flow on the basis of taking into account all contractual terms of a financial asset or financial liability (such as prepayments, rollover, call options or other similar options, etc.), but it shall not take into account expected credit losses.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for: (i) POCI financial assets, whose interest income is calculated, since initial recognition, by applying the credit-adjusted effective interest rate to their amortised cost; and (ii) financial assets that are not POCI but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss allowance). If, in a subsequent period, the financial assets improve their qualities so that they are no longer credit-impaired and the improvement in credit quality is related objectively to a certain event occurring after the application of the above-mentioned rules, then the interest income is calculated by applying the effective interest rate to their gross carrying amount.

② Fair value through other comprehensive income

Debt instruments: It is classified as the gain or loss of financial assets measured at fair value and included in other comprehensive income due to its changes. Except impairment loss or gain and exchange gain, it will be included in other comprehensive income until the financial asset is terminated for recognition or reclassified. But the interest income of instrument which are calculated by effective interest rate are taken through profit or loss. When the financial asset are derecognized, the cumulative profit or loss transferred from other comprehensive income to the current profit and loss.

Equity instruments：The equity instrument investments that are held for purposes other than to generate investment returns are designated as FVOCI. When this election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal.Dividends, when representing a return on such investments, continue to be recognized in profit or loss when the Group’s right to receive payments is established, and it is probable that future economic benefits associated with the item will flow to the Group, and the amounts of the dividends can be measured reliably.

③Fair value through profit or loss

Movements in the carrying amount are taken through profit or loss, except:(i)it is part of the hedging relationship specified in "China Accounting Standards for Business Enterprises No. 24-Hedging Accounting"; (ii) according to the article 68 of "China Accounting Standards for Business Enterprises No. 22-Recognition and Measurement of Financial Instruments ", the changing of fair value should be taken through other comprehensive income , which caused by changes in company's credit risk.When the financial liabilities are derecognized, the cumulative profit or loss transferred from other comprehensive income to the current profit and loss.

(5) Impairment of financial assets

The Company According to the basis of expected credit losses, perform impairment accounting treatment on the following financial assets and recognize loss provisions:

(i) Financial assets measured at amortized cost and debt investment measured at fair value with changes recognized in other comprehensive income;

(ii) lease receivables;

(iii) contract assets;

(iv) inancial guarantee contracts and loan commitment except financial liabilities at fair value through profit or loss.

ECL is the weighted average of credit losses with the respective risks of a default occurring as the weights. Credit loss is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

The Company combines forward-looking information to assess expected credit losses and to recognize the associated loss provisions at each balance sheet date. The measurement of expected credit losses reflects the following elements: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes; (ii) the time value of money; and (iii) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

For financial instruments whose impairment losses are measured using the ECL model, the Group assesses whether their credit risk has increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their impairment allowance and recognize their ECL, as follows:

Stage 1: The Group measures the loss allowance for a financial instrument at an amount equal to the next 12 months ECL if the credit risk of that financial instrument has not increased significantly since initial recognition.

Stage 2: The Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the credit risk of that financial instrument has increased significantly since initial recognition, but is not yet deemed to be credit-impaired.

Stage 3: The Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the financial instrument is credit-impaired.

By comparing the risk of default on the balance sheet date with the risk of default on the initial recognition date, the Company determines the relative change of the risk of default during the expected duration of the financial instrument, so as to evaluate whether the credit risk of the financial instrument has increased significantly since the initial recognition. In determining whether the credit risk has increased significantly since the initial recognition, the Company considers reasonable and evidence-based information, including forward-looking information, that can be obtained without unnecessary additional cost or effort. Information considered by the Company includes:

- Failure by the debtor to pay the principal and interest on the due date of the contract;

- A serious deterioration in the external or internal credit rating (if any) of a financial instrument that has occurred or is expected;

- A serious deterioration of the debtor's business results that has occurred or is expected;

- Changes in the existing or anticipated technical, market, economic or legal environment that would materially and adversely affect the debtor's ability to repay the Company.

According to the nature of financial instruments, the Company evaluates whether the credit risk increases significantly based on a single financial instrument or a combination of financial instruments. When evaluating on the basis of a portfolio of financial instruments, the Company may classify financial instruments based on common credit risk characteristics, such as overdue information and credit risk ratings. If overdue by more than 30 days, the Company determines that the credit risk of the financial instrument has significantly increased.

On the balance sheet date, the Company evaluates whether the financial assets measured at the amortized cost and the debt investments measured at the fair value and whose changes are included in other comprehensive income have incurred credit impairment. When one or more events that adversely affect the expected future cash flow of a financial asset occur, the financial asset becomes a financial asset that has experienced credit impairment. Evidence of credit impairment of a financial asset includes the following observable information:

- Major financial difficulties occur to the issuer or the debtor;

- Breach of contract by the debtor, such as default or late payment of interest or principal;

- The Company, out of economic or contractual considerations relating to the debtor's financial difficulties, gives the debtor concessions that would not be made under any other circumstances;

- The debtor is likely to go bankrupt or undergo other financial restructuring;

- Financial difficulties of the issuer or debtor lead to the disappearance of an active market for the financial asset.

An investment in a debt instrument measured at fair value and its change recorded in other comprehensive income shall recognize its loss provision in other comprehensive income and record impairment loss or gain into current profit and loss, and shall not reduce the book value of the financial asset listed in the balance sheet.

In the previous accounting period is according to the equivalent of financial instruments expectations throughout the duration of the amount of credit losses measuring the loss, but in the current balance sheet date, the financial instruments are no longer belongs to the credit risk increased significantly after initial recognition, the Company in the balance sheet date according to the current equal to the sum of the expected over the next 12 months credit loss measurement of the cost of this financial tool, the resulting loss to return amount as penalty gains recorded into the profits and losses.

For the financial assets purchased or derived from which credit impairment has occurred, the Company shall, at the balance sheet date, recognize only the accumulated changes in the expected credit losses over the entire period since the initial recognition as provisions for losses. At each balance sheet date, the Company records the changes in expected credit losses throughout the period as impairment losses or gains in the current profit and loss.

The Company’s judgment criteria for increase in credit risk, the definition of credit impairment assets which have occurred, and assumptions of ECL . For details, please refer to Note X.2.

(6) Derecognition of Financial Instruments

A financial asset is derecognized, when one of the following criteria is satisfied: (i) the rights to receive cash flows from the assets have expired; (ii) the Group has transferred substantially all the risks and rewards of ownership of the financial asset; (iii) the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has not retained control.

The Company has neither transferred nor retained almost all the risk and rewards and the Company has not given up control of the financial assets, the relevant financial assets shall be recognized according to the extent of their continued involvement in the transferred financial assets ,and the relevant liabilities should be recognized accordingly.

If the overall transfer of financial assets meets the conditions for the termination of recognition, the balance between the book value of the transferred financial assets, the sum of the consideration received as a result of the transfer and the cumulative amount of the change in fair value originally booked into other comprehensive income shall be booked into the current profit and loss.

The transfer of a financial asset part meet the recognition criteria of termination, will be the entire book value of the transferred financial asset, between the parts and not terminate qualification recognition has been stopped, apportion them according to their relative fair value, and will be received by transfer of value and share to terminate identified previously included in the other part of the sum of the changes in fair value of the accumulative amount of comprehensive income, and apportion the carrying amount of the balance into the profits and losses of the current period.

(7) Fair value of financial instruments

If there is an active market for a financial instrument, the quoted market price in the active market is used to determine its fair value. In an active market, the financial assets that the Company has held or the financial liabilities to be assumed take the fair value of the corresponding assets or liabilities at the current bid price; The fair value of the liability. If there are no current bids and asking prices for financial assets or financial liabilities, but there has been no significant change in the economic environment after the latest trading date, the market price of the latest transaction is used to determine the fair value of the financial asset or financial liability. When the economic environment has changed significantly since the latest trading day, the current price or interest rate of similar financial assets or financial liabilities shall be referenced to adjust the market price of the latest transaction to determine the fair value of the financial asset or financial liability. The Company has sufficient evidence to show that the recently quoted market quotation is not fair value, and make appropriate adjustments to the recently traded market quotation to determine the fair value of the financial asset or financial liability.

The fair values of quoted financial assets and financial liabilities in active markets are based on current bid prices and ask prices, as appropriate. If there is no active market, the Group establishes fair value by using valuation techniques. The valuation techniques include reference to prices used in recent market transactions by parties who are familiar with the situation and voluntary transactions, refer to the current fair value of other financial assets that are substantially the same, discounted cash flow method and option pricing models.

10. Margin trading & short selling business

Margin trading & short selling business refers to the business activities, in which the Group lends funds to clients for buying securities or lends securities to them for sale and the corresponding collaterals are provided by clients. The Group's margin trading & short selling activity is divided into financing activity and securities lending activity.

As for the funds lent, the receivable claim and the corresponding interest income should be confirmed.

As for securities lending activity, the securities lent are not derecognized in accordance and the corresponding interest income is recognized.

When the Company carries out margin trading & short selling and buys and sells securities on behalf of clients, such activity is credited as securities brokerage activity.

11. Asset management business

Client transaction settlement funds are accounted separately from the Company's own funds, and a separate account is set up for accounting in "monetary funds" and other projects. The Company's client transaction settlement funds received by the Company's agent trading in securities are fully deposited in the Company's designated bank account, and Recognized as a liability and settled with the customer. The Company accepts the client's entrustment to buy and sell securities through the stock exchange agent. When clearing with the customer, if the total transaction value of the purchased securities is greater than the total transaction value of the sold securities, the difference between the transaction price of the securities purchased and sold on the liquidation date, plus withholding stamp tax and the customer The commissions and other fees charged reduce the client's transaction settlement funds; if the total transaction value of the purchased securities is less than the total transaction value of the sold securities, the difference between the transaction price of the securities purchased and sold on the liquidation date, the reduction of withholding stamp taxes and commissions that should be charged to the client, etc. Handling fees increase customer transaction settlement funds. The commission fee income of the Company acting as a proxy for the purchase and sale of securities of the client shall be recognized when the liquidation of the above-mentioned purchase and sale of securities is settled with the client. The Company settles interest uniformly with customers and increases customer transaction settlement funds.

12. Accounting method for purchasing under resale agreement and selling under repurchase agreement

Purchasing under resale agreement transaction refers to the purchase of related assets (including bonds and notes) from counterparties at a fixed price under a contract or agreement, and the resale of the same financial products at agreed prices on the expiration date of the contract or agreement. The payments actually paid for buying back of relevant assets are recorded and are listed under the item " Financial assets held under agreement" of the balance sheet.

Selling under repurchase agreement transaction refers to the sale of related assets (including bonds and notes) to counterparties at a fixed price under a contract or agreement, and the repurchase of the same financial products at agreed prices on the expiration date of the contract or agreement. The payments actually paid for selling and repurchasing of relevant assets are recorded and are listed under the item " Financial assets sold under repurchase agreement" of the balance sheet. The financial products sold are still listed in the Group's balance sheet according to the original classification and are accounted for in accordance with the relevant accounting policies.

Interest income and expenses arising from purchasing under resale agreement and selling under repurchase agreement transactions are recognized at the effective interest rate during the buying back or selling for repurchase. If the difference between the actual interest rate and the agreed contractual interest rate is small, interest income and expenses are calculated according to the contractual interest rate.

The Company’s stock pledged repurchase business consider the credit status, the duration of contract and the liquidity of the secured securities, restricted sales,concentration,volatility, performance guarantee and other factors to set up different warning line and closing positions. The closing position is not less than 130%.

(1) Stage 1: the stock pledged repurchase business that maintains a guarantee ratio greater than the closing position and is not overdue;

(2) Stage 2: the stock pledged repurchase business that maintains a guarantee ratio greater than 100% and less than or equal to the closing position, or the principal and interest are overdue, less than 90 days;

(3) Stage 3:he stock pledged repurchase business that maintains a guarantee ratio greater than 100% and less than or equal to the closing position, or the principal and interest are overdue, more than 90 days.

For the financial assets which are mentioned before in stage1 and stage 2, the Companyuses the risk parameter mode method, including key parameters such as default probability, default loss rate and credit risk exposure to evaluate the impairment reserve; for the financial assets in stage 3, the management has considered the forward looking factors and made corresponding impairment provision by estimating the future cash flow relating to the financial asset. The main factors considered by the Company by the Company in calculating the defaults loss rate are: the market value of the collateral, the liquidity and the disposal cycle, the credit status of the financier and the repayment ability.etc.

For details of "Provision for impairment of other financial assets purchased under resale agreement", please referr to Notes IV(9).

13. Long-term equity investment

Long-term equity investment of the Group includes subsidiaries, associates and joint ventures.

The Group identified a joint control, if it is jointly held according the relevant agreement and the arrangement-related activities must be consented by the participants who share the control right to make decisions.

When the Group directly or indirectly owns the voting rights of an investee of more than 20% (inclusive) and less than 50%, it is generally considered to have a significant impact on the investee. When the Group hold the voting right of an investee for less than 20%, the identification of significant impact should be make based on comprehensive consideration of multiple factors: whether the Group have the right to nominate a representative in the board or similar authority of the investee; whether the Group participate in the investee's process of shaping its financial and business policy; whether there is important transactions between the Group and the investee; whether the Group has the right to accredit managers to the investee; or whether the Group provides key technical information to the investee.

If invested entity can controled by company, it is a subsidiary of the Company.For long-term equity investment acquired through a combination under common control, the carrying amount of the acquiree's net asset in the ultimate controller's consolidated financial statement on the combination date is used as its initial investment cost. If the book value of the acquiree's net asset on the combination date is negative, the cost is 0. For long-term equity investment acquired through a combination under non-common control, the fair value of the consideration paid on the purchasing date is used as the initial investment cost.

If the investment is formed via the approach other than the business combination: in the case of the cash, the actual purchase price is used as the initial investment cost; in the case of the issued equity securities, the fair value of the issued equity securities is used as the initial investment costs; in the case of the long-term equity investment invested by investors, the value stipulated in the investment contract or agreement is used as the initial investment costs.

The long-term equity investment in the investee is calculated by the cost method. The long-term equity investment in associates and joint ventures is calculated by using the equity method.

Under the cost method, the book value is adjusted according to the cost of additional investment and its related transaction fees. The cash dividend or profit declared by the investee is recognized in investment income in accordance with the share of the Group.

Under the equity method, investment gain or loss represents the Company's share of the net profits or losses made by the investee for the current period. The Group will recognize its share of the investee's net profits or losses based on the fair values of the investee's individual separately identifiable assets on the date of acquisition, after making appropriate adjustments thereto in conformity with the accounting policies and accounting periods of the Group. The unrealized gain or loss from internal transactions entered into between the Group and its associated companies and joint ventures is offset according to the shareholding attributable to the Group and accounted for as investment income and loss based on such basis.

For disposal of a long-term equity investment, the difference between the carrying value and the consideration actually received is recognized as investment income for the period. For long-term investments accounted for under the equity method, the movements of shareholder's equity, other than the net profit or loss, of the investee company, previously recorded in the shareholder's equity of the Group are transferred into profit and loss on investment for the period on disposal.

Where the Group has no longer joint control or significant influence in the investee company as a result of reduction of the investment, the residual of the investment will be recognized as available-for-sale financial assets. The difference between the fair value and the book value of the residual equity in the day of losing joint control or significant impact is recognized in profit and loss for the current period. The other comprehensive income recognized for the original investment using equity method is treated on the same basis for accounting treatment with the assets or liabilities of the investee directly disposed in the period of terminate using equity method.

Where Group has no longer control but remain joint control or significant influence over the investee company as results from such as partially disposal of the investment, the investment will be changed to be accounted for using equity method. The difference between the book value of the disposed part of the equity and the consideration of disposal is recognized in the investment income, and the residual of the equity is treated as using the equity method from acquisition. Where Group remains neither joint control nor significant influence over the investee as results from such as partially disposal of the investment, the residual shares will be treated as available-for-sale financial assets. The difference between the book value of the disposed part of the equity and the consideration of disposal is recognized in the investment income. The difference between the fair value and the book value of the residual equity is recognized in the profit and loss in current period.

If the multiple transactions of disposal the investee that lead to the Group to lose control over the investee do not belong to a package transaction, each transaction shall be separately accounted. In the case of a “package deal”, the transactions are treated as one transaction of disposal and losing control of a subsidiary. However, before losing control, the difference between the consideration and the book value of the disposed part of equity is recognized in other comprehensive income and it will be transferred to current profit or loss collectively after losing control.

14. Investment property

Investment property includes buildings that have been leased out.

Investment property is initially measured at its cost, which includes expenditure that is directly attributable to the acquisition of the assets. The cost of the purchased investment real estate includes the purchase price, relevant taxes and fees and other expenses directly attributable to the asset; The cost of self-construction of an investment real estate consists of the necessary expenses incurred before the construction of the asset reaches its intended serviceable state.

Subsequent to initial recognition, the Group adopts the cost model to account for its investment properties. According to its expected service life and net salvage value rate to use the average life method of depreciation or amortization.

The estimated useful lives, depreciation rate and estimated residual value rate of investment properties are as follows:

Type of assets	**Estimated useful lives(years)**	**Estimated residual values(%)**	**Yearly depreciation(%)**
Building	40.00	5.00	2.38

When the use purpose of investment property is changed for self-use, the investment property will be converted into fixed assets or intangible assets from the date of change. When the use purpose of self-use property is changed to earn rent or capital appreciation, the fixed assets or intangible assets will be converted into investment property from the date of change. When conversion occurs, the book value before conversion is converted into account value.

When an investment property is disposed of, or is permanently withdrawn from use and is not expected to obtain economic benefits from its disposal, the investment property shall be terminated. The amount of the disposal income of the investment property sold, transferred, scrapped or damaged shall be included in the current profits and losses after deducting the book value and relevant taxes and fees.

15. Fixed assets

Fixed assets are tangible assets held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and expected to be used during more than one accounting year with more than RMB 2,000.

Fixed assets include premises used for business purposes, buildings, machinery and equipment, power equipment, transportation equipment, electronic equipment, communications equipment, electrical equipment, safety and defense equipment, and office equipment.The cost at the time of acquisition is regarded as the value recorded. Among them, the cost of outsourcing fixed assets includes the purchase price and import duties and other related taxes and fees, as well as the assets that can be directly attributed to the asset before it reaches the intended usable state. Other expenditures; the cost of self-built fixed assets is composed of the necessary expenditures incurred before the construction of the asset reaches the intended usable state; the fixed assets invested by investors are recorded as the value of the investment contract or agreement, but the contract Or if the agreement stipulates that the value is not fair, it shall be accounted at fair value.

If the subsequent expenditures related to fixed assets, including repair expenditures and renovation expenditures, meet the conditions for the recognition of fixed assets, they shall be included in the cost of fixed assets, and the book value of the replaced part shall be terminated. If the fixed assets fail to meet the conditions for recognition, they shall be recorded into the current profits and losses when they occur.

The Company shall make depreciation for all the fixed assets except the fixed assets which have been fully depreciated but are still in use and the land which is separately priced and recorded. Depreciation is calculated using the life average method, and according to the use of the cost of the relevant assets or current expenses.

The estimated useful lives, residual value proportions and the annual depreciation rates of fixed assets by categoriesare as follows:

Categories	**Estimated useful lives(years)**	**Estimated residual values（%）**	**yearly depreciation(%)**
Business buildings	40.00	5.00	2.38
Non-business buildings	35.00	5.00	2.71
Makeshift house	5.00	5.00	19.00
Structures	20.00	5.00	4.75
Machinery equipment	10.00	5.00	9.50
Power equipment	15.00	5.00	6.33
Communication equipment	5.00	5.00	19.00
Electronic equipment	5.00	5.00	19.00
Electrical equipment	5.00	5.00	19.00
Security equipment	5.00	5.00	19.00
Office facilities	5.00	5.00	19.00
Other transport facilities	8.00	5.00	11.88

At the end of each year, the Company shall review the expected Useful life, Residual value proportion and depreciation method of the fixed assets. If there is any change, it will be treated as accounting estimate change.

Property and equipment are de-recognised on disposal or when no future economic benefits are expected from their use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of property and equipment net of their carrying amounts and related taxes and expenses is recognised in the current profits and losses .

16. Construction in progress

Construction in progress is measured at actual cost. Self-operated construction projects are measured by direct materials, direct wages, direct construction fees, etc .and outsourced construction projects are measured by the project price payable; etc .; and equipment installation projects are based on the value of the installed equipment, installation costs, and project trial operation Expenditure, etc. determine the project cost. The cost of construction in progress also includes borrowing costs that should be capitalized and exchange gains and losses.

Depreciation will be calculated from next month.The original value difference of fixed assets shall be adjusted after completion of final settlement procedures.

17. Borrowing costs

Borrowing cost include borrowing interest, amortization of discounts or premiums, auxiliary expenses and the difference caused by borrowing with foreign currency.etc.Where the borrowing costs incurred to the Group can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, the asset disbursements have already incurred; the borrowing costs have already incurred; and the acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started, it is capitalized and included in the costs of relevant assets,.When the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs is ceased.other borrowing costs are recognized as expenses on the basis of the actual amount incurred, and are included in the profits or losses.

Interest expenses of special borrowings actually incurred in the current period， capitalized shall be recognized by deducting the interest income of the borrowings that have not yet been used and deposited in the bank, or the income obtained from the temporary investment . Where the general borrowing is used for the acquisition, construction or production of the assets eligible for capitalization, the amount of interest that should be capitalized shall be recognized, by multiplying weighted average of the excess capital expenditures over the special borrowings by the capitalization rate of the general borrowings appropriated. The capitalization rate is calculated according to the weighted average interest rate of general borrowing.

The assets eligible for capitalization refer to the assets such as fixed assets, investment real estate and inventory that need to go through quite a long period of time (usually more than one year) to reach the predetermined state of useable or saleable.

Where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs is suspended; the borrowing costs incurred during such period are recognized as expenses, till the acquisition and construction or production of the asset restarts.

18. Intangible assets

Intangible assets, including land use rights, trading seats and software, etc, which are measured at cost and amortised on a straight-line basis over their estimated useful lives.

The purchased intangible assets are based on the actual price paid and other related expenses as actual costs; the cost of intangible assets invested by investors are determined by the value stipulated in the investment contract or agreement. But the fair value stipulated in the contract or agreement is not stipulated ,the actual cost is determined by the fair value.

The land use right acquired is averagely amortized according to the service life of the land use right. The trading seat fee, software and others acquired are amortized according to the shortest of the excepted useful life, the expected useful life, the benefit period which stipulated in the contract and the effective life stipulated by law.The amortized amount is included in the relevant asset cost and current profit and loss.

The estimated useful life and amortization method of intangible assets with limited service life are reviewed at the end of each year, and if it changes, it is treated as a change in accounting estimates.At the end of each year, the estimated service life of intangible assets with uncertain service life is reviewed. If there is evidence to prove that the service life of intangible assets is limited, the service life is estimated and amortized within the estimated service life.

19. Impairment of long-term non-financial assets

Long-term equity investments,Investment property,fixed assets,construction in progress intangible assets with limited useful lives are tested for impairment if there is any indication that the assets may be impaired at the statement of financial position date. For goodwill and intangible assets with uncertain service life, impairment tests shall be conducted at the end of each year regardless of whether there is any indication of impairment. If it is difficult to test the recoverable amount of a single asset, the test shall be based on the asset group or combination of the asset group to which the asset belongs.

If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, an allowance for impairment and an impairment loss are recognised in accordance with the difference. The provision for the aforesaid assets is recognized, it shall not be reversed in subsequent accounting periods. The recoverable amount of an asset is the higher between the net value of the fair value of the asset minus the disposal expense and the present value of the expected future cash flow of the asset.

The signs of impairment are as follows：

(1) The market price of assets has fallen sharply in the current period, and the decline is significantly higher than the expected decline due to the passage of time or normal use.

(2) There are adverse impact of the Company, because of the changing of the economic,technological, legal environment which enterprise operates and the market in.

(3) The market interest rate or other market investment return rate has increased in the current period, which affects the discount rate of the enterprise to calculate the present value of the expected future cash flow of the asset,and resulting in a substantial reduction in the asset's recoverable amount.

(4) There is evidence that the asset has become obsolete or its entity has been damaged.

(5) There is evidence that the asset has become obsolete or its entity has been damaged.

(6) The evidence in the internal report of the Company indicates that the economic performance of the asset has been lower or will be lower than expected, such as the net cash flow created by the asset or the realized operating profit (or loss) is much lower (or higher) than the expected.

(7) Other signs that assets may have been impaired.

20. Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Company’s interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquire at the date of acquisition.

Goodwill related to subsidiaries is listed separately in consolidated financial statements, while goodwill related to associates and joint ventures is included in the book value of long-term equity investments.

Goodwill listed separately in the financial statements, with the impairment test once a year ,whether there is any sign of impairment. During the impairment test, the book value of goodwill is allocated to the asset group or group of asset groups expected to benefit from the synergies of the business combination. If the test results indicate that the recoverable amount of the asset group or combination of asset groups containing the allocated goodwill is lower than its book value, the corresponding impairment loss is recognized. The amount of the impairment loss is offset the book value of goodwill allocated to the asset group or combination of assets group and then according to the proportional to the book value of other assets except goodwill to offset book value of other assets.

21. Long-term deferred expenses

Long- term deferred expenses of the Group are expenditures that have been incurred but shall be amortized over periods of more than one year (exclude one year). The expenditures are amortized evenly over the estimated beneficial period. If the long-term deferred expenses are no longer beneficial to the subsequent accounting periods, the unamortized balance is then transferred to profit or loss for the period.

22. Employee benefits

During the accounting period in which an employee provides services for the Group, the actual short-term employee benefits incurred shall be recognized as liabilities and included in the current profits and losses or the cost of related assets.The compensation given for the termination of the labor relationship with the employees shall be included in the current profit and loss.

Employee benefits include short-term employee benefits, post-employment benefits, termination benefits , other long-term employee benefits and Expenditures related to access to services provided by employees.

Post-employment benefits refers to various forms of remuneration and welfare provided by the Company after the employee retires or dissolves the labor relationship with the Company in order to obtain the services provided by the employee, except short-term remuneration and dismissal welfare.Post-employment benefits are divided into a defined contribution plan and a defined benefit plan. Post-employment benefits are mainly for participation in the social basic pension insurance and unemployment insurance organized by the labor and social security agencies.During the accounting period in which an employee provides services for the Group, the amount that should be paid according to the defined contribution plan shall be recognized as liabilities and included in the current profits and losses or the cost of relating assets. Defined benefit plans are after-service benefit plans other than defined contribution plans.

Termination benefits mainly includes the compensation given by the Company to terminate the labor relationship with the employee before the expiration of the employee's labor contract, whether the employee is willing to do so or not, and the compensation given to the employee before the expiration of the employee's labor contract to encourage the employee to voluntarily accept the layoff.In accordance with the provisions of the dismissal plan, the Company reasonably anticipates and recognizes the employee compensation liabilities arising from the dismissal welfare, and records them into the current profits and losses.

Other long-term employee benefits include long-term paid absences, long-term disability benefits, long-term profit-sharing plans, etc.

Central China Securities Co., Ltd’s employees participate in the enterprise annuity plan established by the Company in accordance with the relevant policies of the national enterprise annuity system and personal insurance.The Company's otal contribution is 8% of the employee 's total salary for the previous year, and the employee 's individual contribution is 2% of the employee 's total salary for the previous year.

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. If the Company has formulated labor relationship cancellation plan, the Company cannot unilaterally withdraw the labor or reduction proposal. The estimated liabilities due to compensation for the termination of the labor relationship with the employee should be confirmed into the current profit and loss.

Regarding the internal retirement plan implemented by the Company, the dismissal benefit will be dealt same as termination benefit, because this part of employees no longer bring the economic benefit to the Company. According to the provisions of the internal retirement plan, the period from the day when the employee stops providing services to the normal retirement date, the Company's planned retirement salary and social insurance premiums, etc. are confirmed as the estimated liabilities , which are included in the current profit and loss.

23. Estimated liabilities

When the business related to external guarantee, trade acceptance bill discount, pending litigation or arbitration, product quality assurance and other contingencies meet the following conditions at the same time, the Company recognizes it as a liability: the obligation is the current obligation undertaken by the Company; The fulfillment of this obligation may lead to the outflow of economic benefits from the enterprise. The amount of the obligation can be measured reliably.

The estimated liabilities are initially measured in accordance with the best estimate of the expenditure required to perform the relevant current obligations, and factors such as risks, uncertainties and time value of money related to contingencies are considered comprehensively. If the time value of money has a significant impact, the best estimate can be determined by discounting the relevant future cash outflow. The book value of the estimated liabilities is reviewed at each balance sheet date and adjusted to reflect the current best estimate if there is any change.

24. General risk reserve and transaction risk reserve

According to" Financial rules of financial enterprises" and "Notice on the 2007 Annual Report of Securities company "(Zheng Jian Ji Gou Zi [2007[No.320), the Company and its subsidiaries calculate the general risk reserve according to 10% of after-tax profit (reducing make up losses) for the year. The transaction risk reserve which is not less than 10% of after-tax profit (reducing make up losses) for the year.

In order to reduce the repayment risk of bonds, the 14th meeting of the 4th Board of Directors and the 6th Extraordinary General Meeting of 2013 reviewed and approved to increase the ratio of discretionary surplus reserve fund and general risk reserve ratio during the duration of the bond. Surplus reserve fund is 5% of the current profit after making up losses and the general risk reserve is 11% of the net profit of making up the losses. During the remaining duration of the bond, the discretionary surplus reserve is drawn at 10% of the current net profit after making up for the loss, and the general risk reserve is drawn at 12% of the current net profit after making up for the loss.

25. Revenue

The revenue of the Company is recognized when the customer obtains the control rights of the relevant commodities (referring to the commodities or services) by performing the performance obligations of the contract. To gain control over the relevant goods means that the customer can dominate the use of the goods and get almost all the economic benefits from them.

Performance obligation means the transfer of the Company's commitment to the customer that clearly distinguishes between goods or services. Both express commitments in the contract and commitments that the customer reasonably expects the Company to perform at the time the contract is entered into based on the Company's publicly announced policies, specific statements or past practices.

The Company evaluates the contract at the beginning of the contract, identifies each individual performance obligation contained in the contract, and determines whether each individual performance obligation should be performed within a certain period of time or at a certain point. If one of the following conditions is met, the contract obligations shall be fulfilled within a certain period of time; Otherwise, the performance of a contractual obligation at a certain point:

(i) The customer concurrently receives and consumes the benefits provided by the entity’s performance as the entity performs.

(ii) The customer can control the goods that are under construction during the Company's contract execution.

(iii) The entity’s performance does not create an asset with an alternative use and the entity has a right to payment for performance completed to date.

Where performance of a single service contract takes place over time, revenue should be recognized as performance takes place, excluding the stage of performance cannot be determined. An entity that cannot reasonably measure the outcome of a performance obligation, but expects to recover the costs incurred, should recognize revenue only to the extent of the cost until a reliable measure of progress can be made. An entity will recognize revenue at a point in time (when control transfers) for performance obligation that meet the criteria for recognition of revenue at a point in time.

The Company has transferred the goods or services to customers and has the right to receive consideration (and the right depends on factors other than the passage of time). As a contract asset, the impairment based on ECL. The right of the Company to charge the customer unconditionally (only depends on the passage of time) is listed as a receivable. The Company's obligation to transfer the goods or services,because the Company received or get receivable from the customer's consideration, which should be listed as contract liabilities.

The specific accounting policies relating to the Company's main activities to revenue as follow:

(1) Handling fee and commission income

Revenue from the securities and futures brokerage services is recognized on the date of the transaction.

Revenue from underwriting services is recognized when the control of the underwriting services is provided to the client. The revenue is usually recognized upon completion of the offering.

The income from the asset management business of the entrusted customer, when the entrusted management contract expires and is settled with the entrusting unit, the profit or loss that should be enjoyed by the Company is calculated according to the proportion specified in the contract and recognized as the current gain or loss. If the contract stipulates that the Company charges management fees and performance compensation fees in accordance with the agreed proportions, the management fees and performance compensation gains shall be confirmed in installments.

Revenues from other businesses, including investment banking advisory and sponsoring services are recognized when the contractual obligations are fulfilled.

(2) Interest income

When the relevant income can be measured reliably and relevant economic benefits can be received, the interest income is recognized according to the time of fund utilization and the agreed interest rate. If there is no expired financial asset in the current period, interest will be accrued on the accrual basis at the end of the period and recognized as interest income for the period. If there is little difference between the actual interest rate and the contractual interest rate, the interest income shall be calculated according to the contractual interest rate.

The financial assets held under resale agreements due in the current period, the difference between the resale price and the purchase price shall be recognized as the income in the current period; If there is no maturity in the current period, the interest accrued and withdrawn at the end of the period shall be recognized as the current income according to the amortized cost and the actual interest rate; if there is a small difference between the actual interest rate and the contractual interest rate, the income shall be recognized as the current income according to the contractual interest rate.

(3) Investment income

The Company recognizes the difference between its fair value and the initial recorded amount when disposing of trading financial assets as investment income, and at the same time adjusts the profit and loss of changes in fair value. When disposing of FVOCI, the difference between the price obtained and the cumulative amount of changes in fair value that were directly included in other comprehensive income and the book value of the financial asset ,is included in investment income.

For long-term equity investments accounted for using the cost method, the cash dividends or profits declared by the investee are recognized as current investment income. For long-term equity investments accounted for using equity method are calculated based on the net profit realized by the investee or adjusted net profit and are confirmed the investment income.

26. Accounting method for the client asset management business

The client asset management business is divided into directional asset management business, collective asset management business, and special asset management business. Entrusted by the Company, the Company is engaged in directional asset management business, collective asset management business, and special asset management business.Take the managed customer or collection plan as the subject, independently set up accounts, independently accounting, and not listed in the Company's financial statements.

27. Government grants

The government grants relating to assets means the government grants which are obtained by the Company for purchasing or others long-term assets. The government grants relating to revenue means the except the government grants related assets. If the grant’s target is not clearly specified in the government documents,t he company will make judgments according to the above principle of distinction.If it is difficult to distinguish, the whole is classified as a government subsidy relating to income.

If the government grant is a monetary asset, it is measured according to the amount actually received.For the grant paid according to a fixed standard, or there is evidence at the end of the year that can meet the relevant conditions specified in the financial support policy and is expected to receive financial support funds, which measured according to the amount actually receivable.If the government grant is a non-monetary asset, it should be measured at its fair value. If its fair value cannot be obtained reliably, it shall be measured at its nominal amount (1 yuan).

The government grants related to the asset shall be recognized as deferred income, and the government grants related to the asset shall be recognized as deferred income and be recorded into the current profit and loss in stages within the service life of the relevant asset.

When the related assets of this are sold, transferred, scrapped or destroyed before the end of their useful lives, the related unallocated balance of deferred revenue is transferred to profit or loss in the period of disposal of the asset.

Government grants related to revenue that compensate for related costs or losses in subsequent periods are recognized as deferred revenue and recognized in current profit or loss in the period in which the related costs or losses are recognized. Government grants related to day-to-day activities are included in other gains or charged against related costs, based on the substance of economic operations. Government grants not related to day-to-day activities are included in non-operating income.

When a company receives a policy preferential loan subsidy, it is distinguished between cases in which the finance disburses the subsidy funds to the lending bank and cases in which the finance disburses the subsidy funds directly to the Company, and the accounting is treated according to the following principles:

(1)If the treasury disburses the discounted funds to the lending bank, which provides the loan to the Company at the policy preferential interest rate, the Company uses the actual amount of the loan received as the recorded value of the loan and calculates the related borrowing costs based on the principal of the loan and the policy preferential interest rate (or uses the fair value of the loan as the recorded value of the loan and calculates the borrowing costs according to the effective interest rate method, the difference between the actual amount received and the fair value of the loan is recognized as deferred income. Deferred income is amortized over the life of the borrowing using the effective interest method, less related borrowing costs).

(2)The treasury disburses the discounted funds directly to the Company, and the corresponding discount is offset against the related borrowing costs.

The Company's recognized government grants that are required to be returned are accounted for in the current period in which they are required as follows：

①Where the carrying value of the underlying asset is reduced on initial recognition, the carrying value of the asset is adjusted.

②Where a related deferred gain exists, the carrying amount of the related deferred gain is reduced and the excess is recognized in profit or loss in the current period.

③In other cases, they are recognized directly in profit or loss for the current period.

28. Deferred income tax assets and deferred income tax liabilities

Deferred income tax assets and liabilities are calculated and recognized based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred income tax asset is recognized for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. As at the statement of financial position date, deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

A company recognizes deferred income tax assets arising from deductible temporary differences to the extent that it is probable that taxable income will be available against which the deductible temporary differences can be offset. Deferred income tax assets are written down to their carrying amount when it is probable that sufficient taxable income will not be available to offset the deferred income tax asset in a future period. The amount of the write-down is reversed when it is probable that sufficient taxable income will be obtained.

29. Leases (applicable as of 1 January 2019)

A lease is a contract in which the lessor give up the right to use the asset to the lessee for consideration for a certain period of time.

(1)As a lessee

At the beginning of the lease term, the Company recognizes a right-of-use asset and lease liability for the lease. The Company uses the straight-line method of depreciation for right-of-use assets. At the balance sheet date, the Company assesses whether the right-of-use assets are impaired and accounts for the identified impairment losses.

The lease liability is initially measured at the present value of the lease payments outstanding at the beginning of the lease term. The Company calculates interest expense on the lease liability at a fixed periodic rate (i.e., discount rate) for each period of the lease term and recognizes it in current profit or loss or the cost of the asset.

The Company has elected to recognize right-of-use assets and lease liabilities for short-term leases (leases with lease terms of up to 12 months) and low-value asset leases. And the Company has charged the related lease payments to current profit or loss or the related cost of the asset on a straight-line basis over the various periods of the lease term.

(2) As a lessor

Leased assets under operating leases are recognized as rental income by a straight-line basis.

30. Income tax

The balance sheet liability method is used for income tax accounting. Income tax expense includes current income taxes and deferred income taxes. Current income tax and deferred income tax expense or gains are recognized in profit or loss except for current income tax and deferred income tax relating to transactions and events that are directly attributable to shareholders' equity and the carrying value of deferred income tax-adjusted goodwill arising from business combinations.

Current income tax is the amount due to the tax authorities for transactions and events occurring in the current period, as determined by the enterprise in accordance with tax regulations; deferred income tax is the difference between the amount of deferred income tax assets and deferred income tax liabilities that should be recognized under the balance sheet liability method at the end of the period relative to the amount originally recognized.

31. Segment information

The Company determines its operating segments based on its internal organizational structure, management requirements, and internal reporting system, and its reporting segments based on operating segments. An operating segment is a component of a company that meets the following conditions simultaneously: the component is able to generate income and incur expenses in its day-to-day activities. The Company's management is able to periodically evaluate the operating results of the component in order to decide on the allocation of resources to it and evaluate its performance; and the Company has access to accounting information on the financial position, operating results and cash flows of the component, with inter-segment transfer prices determined by reference to market prices.

32. Hold for sale and terminate operations

(1)Held-for sale assets

The Company classifies a non-current asset or disposal group as held for sale when it recovers its book value primarily through the sale, rather than ongoing use.

A disposal group is a group of assets that are disposed of as a whole in a transaction, whether by sale or otherwise, and liabilities directly related to those assets that are transferred in that transaction.

The Company divides non-current assets or disposal groups that meet the following conditions into categories held for sale:

① The non-current asset or disposal group is immediately available for sale in its current condition, in accordance with the practice of selling such assets or disposal groups in similar transactions.

② A sale is highly likely to occur where the Company has resolved on a plan of sale and has entered into legally binding purchase agreements with other parties. The sale is expected to be completed within a year.

The Company according to the book value and the fair value minus the net after sale cost of residency is to hold illiquid assets for sale (not including financial assets and deferred income tax assets) or to the disposition of the group to carry on the initial measurement and subsequent measurement, book value is higher than the fair value minus the difference between the net selling expenses after confirmation for asset impairment loss, included in the current profits and losses.

(2) Terminate operations

The Company will discontinue operations as defined by a separately distinguishable component that meets one of the following conditions and that has been disposed of or classified as holding for sale by the Company:

① The component represents a separate principal operation or a separate principal area of operation.

②The component is part of an associated plan to dispose of a separate principal operation or a separate principal area of operation.

③This component is a subsidiary acquired specifically for resale.

For terminate operations reported in the current period, and reported in the profit and loss from continuing operations and the profit or loss from discontinued operations separately in the current period's income statement. And restates the information previously presented as profit or loss from continuing operations in the comparative period's income statement as profit or loss from discontinued operations in the comparative accounting period.

33. Significant accounting judgements and estimates

During the preparation of the Group‘s financial statements, management will make judgements, estimates and assumptions about the impact of future uncertainties on revenue, expenses, assets and liabilities, and disclosure of contingent liabilities. The reality may differ from these estimates. Management continuously evaluates the judgment of the key assumptions and uncertainties involved in the estimation. The impact of a change in accounting estimates is recognized during the change period and in future periods.

The following accounting estimates and key assumptions carry a significant risk of causing significant adjustments to the carrying values of assets and liabilities in future periods.

(1) Provision for impairment of financial assets

The Company recognizes a provision for impairment on the basis of ECL on FVPL, FOCI, financing operations (including repurchase agreements, stock pledges, etc.), and currency market disposals (loans) of funds or securities, receivables, etc.

Based on the classification and nature of the above financial assets, combined with its own risk management practices and the relevant requirements of the impairment guidelines, the Company establishes an expected credit loss model to measure impairment losses on the above financial instruments based on a probability-weighted average, taking into account the time value of money and reasonable and informed information about past events, current conditions and projected future economic conditions that can be obtained at the balance sheet date without unnecessary additional costs or effort. The assumptions, parameters, data sources and measurement procedures associated with the expected credit loss model require the Company's professional judgment, and changes in the assumptions of these relevant factors can affect the results of the expected credit loss calculations for financial instruments.

The Company uses an expected credit loss model to evaluate the impairment of financial assets and the application of the expected credit loss model requires making significant judgments and estimates such as the probability of default, the rate of default losses and whether credit risk increases significantly, taking into account all reasonable and reliable information, including forward-looking information. In making these judgments and estimates, the Company extrapolates expected changes in the debtor's credit risk based on historical repayment data combined with economic policies, macroeconomic indicators, industry risk and other factors.

The Company's criteria for determining significant increases in credit risk, the definition of an incurred credit impairment asset, and assumptions regarding the measurement of ECL.For details, please refer to Notes X.(2) of this report.

(2) Impairment of goodwill

The goodwill are tested at least annually for impairment. The recoverable amount of the asset group and asset group combination that includes goodwill is the present value of its expected future cash flow, and its calculation requires the use of accounting estimates.

If management revises the gross profit margin used in the calculation of future cash flows of asset groups and asset group combinations, and the revised gross profit margin is lower than the currently used gross profit margin, the Company needs to make provision for impairment of goodwill.

If management revises the pre-tax discount rate used for discounting cash flows, and the revised pre-tax discount rate is higher than the currently used discount rate, the Company needs to accrue impairment provisions for goodwill.

If the actual gross profit margin or pre-tax discount rate is higher or lower than the management's estimate, the Company cannot reverse the impairment loss for goodwill that has been accrued.

(3)Deferred income tax assets

The estimation of deferred income tax assets needs to estimate the taxable income and applicable tax rates in the future years. The realization of deferred income tax assets depends on whether the Company is likely to obtain sufficient taxable income in the future. Future changes in tax rates and the reversal time of temporary differences may also affect income tax expenses (income) and the balance of deferred income tax. Changes in the above estimates may result in important adjustments to deferred income tax.

(4) Useful life of intangible assets and property and equipment

At least once a year, the Company reviews the estimated useful life of fixed assets and intangible assets. The estimated service life is determined by the management based on the historical experience of similar assets, with reference to the commonly used estimates in the same industry, combined with the expected technical updates. When the previous estimates have changed significantly, the depreciation expenses and amortization expenses in the future period shall be adjusted accordingly.

(5) Consolidation of structured entities

Management needs to make important judgments on whether to control and merge structured entities, confirming whether it will affect accounting methods and the financial situation and operating results of the Group. In assessing control, the Group needs to consider: 1) the power of the investor to the investee; 2) the variable return enjoyed by the investee in the relevant activities; and 3) the ability to use the power of the investee to influence the amount of its return. If one or more of the three control elements mentioned above change, the Group will reassess whether control still exists.

For structured entities (such as funds and asset management plans) managed by the Company, the Company will assess whether its maximum exposure to the structured entities, together with the variable returns generated by its administrator's compensation, is significant enough to indicate that the Company has control over the structured entities. If the Company has control over the structured entity under management, the structured entity will be included in the consolidated scope of the consolidated financial statements. For structured subject shares held by parties other than the Company, as the issuer has a contractual obligation to buy back its offering shares in cash, the Company recognizes them as financial liabilities or payables measured at fair value and recorded in current profit and loss.

34. Significant changes in accounting policies and accounting estimates

(1) Significant changes in accounting policies

The Ministry of Finance promulgated the revised "Accounting Standards for Business Enterprises No. 21-Leases" (hereinafter referred to as "new lease standards") in 2018. The Company has adopted the above standards when preparing the 2019 annual financial statements. In accordance with the transitional provisions of the new lease standard, the Company did not restate the comparative figures for 2018. The reclassification and adjustments made due to the adoption of the new lease standard are recognized in the initial balance sheet on 1 January, 2019. The adoption of the standard no significant impact on the Company's financial statements.

In the process of implementing the new lease standard for the first time, the Company used the following practical simplified treatment method allowed by the standard: a single discount rate for lease portfolios with reasonable similar characteristics; the remaining lease period as of 1 January, 2019 Operating leases shorter than 12 months are treated as short-term leases. The right-of-use assets and lease liabilities are not recognized and have no significant impact on the financial statements.

According to the requirements of the above documents, the corresponding listed items shall be changed, the group adopts a retrospective adjustment method for the changes and retrospectively adjusts the following items:

Item	**For the year of 2019**		
	Unadjusted	**Adjustment**	**Adjusted**
Right-of-use assets		158,368,705.04	158,368,705.04
Other asset	1,498,106,075.06	1,484,520,849.74	-13,585,225.32
Lease liability		144,783,479.72	144,783,479.72

The right-of-use asset is measured at an amount equal to the lease liability and is adjusted according to the prepaid or accrued lease payments recognized in the balance sheet on 31 December, 2018. The Company's lease contracts are all non-loss contracts, and don't need to adjust the right-of-use assets on the first execution date.

On 1 January, 2019, when measuring lease liabilities, the Company used the same discount rate for lease contracts with similar characteristics, and the incremental borrowing interest rate range was 5.27% ~ 5.56%.

On 1 January, 2019, the Company adjusted the outstanding minimum operating lease payment disclosed under the original leasing standards to the adjustment table of the lease liabilities recognized under the new leasing standards as follows:

Item	**Amount of impact on statement items on 1 January 2019**
Operating lease commitment on 31 December	179,119,394.28
Less：Short-term leases recognized as expenses on a straight-line basis	8,426,688.05
Subtotal	170,692,706.23
Less：tax	9,589,354.32
Total	161,103,351.91

On 1 January, 2019, the first execution date is discounted using the lessee's incremental borrowing rate, and the total amount of the lease liability confirmed, including:

Item	**Amount of impact on statement items on 1 January 2019**
Within 1 year	51,615,357.00
Over 1 year	93,168,122.72
Total	144,783,479.72

(2) Significant changes in accounting estimates

The Group does not have any change in accounting estimates in 2019.

V.Taxation

Taxes	Tax bases	Tax rates
Incometax	Taxable income	16.5%、25%
Value-added tax (VAT)	The taxable revenue from sales of goods or rendering of services	3%~16%
Urban maintenance and construction taxes	Turnover tax payable	1%、5%、7%
Education surcharge	Turnover tax payable	3%
Local education surcharge	Turnover tax payable	2%

(1) Income tax

The PRC Enterprise income tax rate applicable to the Company and its subsidiaries in Mainland China is 25%.

The income tax rate for subsidiaries established and operate in Hong Kong is 16.5%.

(2) Value-added tax (VAT)

According to Notice on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner (Cai Shui [2016] No. 36) the Company's principal business income has been subject to VAT, with a tax rate of 6% since 1 May, 2016.

In accordance with the “Circular regarding the Value-added Taxes Policies for Financial, Real Estate Development and Education Ancillary and Other Services” (Cai Shui [2016] No.140), the “Supplementary Circular regarding Issues concerning Value-added Taxes Policies for Asset Management Products” (Cai Shui [2017] No.2) and the “Circular on the Relevant Issues concerning Value-added Tax Levied on Asset Management Products”(Cai Shui [2017] No.56), the Group shall pay VAT at rate of 3% for related asset management taxable activities undertaken after 1 January ,2018.

In accordance with the “ Notice on adjustment of VAT rate” (Cai Shui [2018] NO.32), if the taxpayer has a VAT taxable sales activity or imported good, the taxpayer shall pay VAT at16% and10% after 1 May, 2018.

In accordance with the “ Announcement on policies to deepen VAT reform”(Gong Gao 2019 No.39) if the taxpayer has a VAT taxable sales activity or imported good, the taxpayer shall pay VAT at 13% and 9% after 1 April, 2019.

VI. Notes to items of consolidated financial statements

1. Cash and bank balances

(1) Details

Item	31 December 2019			31 December 2018		
	Amount of original currency	Exchange rate	RMB amount	Amount of original currency	Exchange rate	RMB amount
Cash on hand			**249,129.05**			**266,231.90**
RMB	194,324.35	1.0000	194,324.35	255,608.15	1.0000	255,608.15
HKD	56,652.15	0.8958	50,747.86	7,754.84	0.8762	6,794.79
CAD	759.41	5.3421	4,056.84	760.00	5.0381	3,828.96
Deposits in bank			**9,321,697,310.89**			**7,261,496,589.39**
Deposits Account			2,740,135,500.49			2,606,675,053.34
RMB	2,295,083,952.56	1.0000	2,295,083,952.56	2,235,939,415.28	1.0000	2,235,939,415.28
USD	10,528,961.28	6.9762	73,452,139.68	6,632,643.44	6.8632	45,475,890.37
HKD	414,398,428.88	0.8958	371,209,824.53	370,208,617.32	0.8762	324,376,790.50
AUD	50,320.16	4.5787	230,400.92	47,228.13	4.8250	227,875.73
EUR	20,367.55	7.8155	159,182.59	83,478.58	7.8473	655,081.46
CAD	0.04	5.3421	0.21			
Client fund deposit			**6,581,561,810.40**			**4,654,821,536.05**
RMB	6,497,262,589.77	1.0000	6,497,262,589.77	4,522,173,742.85	1.0000	4,522,173,742.85
USD	4,211,999.02	6.9762	29,383,747.56	1,876,009.45	6.8632	12,872,530.92
HKD	60,921,231.85	0.8958	54,572,021.16	135,975,105.41	0.8762	119,141,387.36
EUR	43,944.97	7.8155	343,451.91	80,776.18	7.8473	633,874.92
Other cash and bank balances			**9,802,121.58**			
RMB	9,802,121.58	1.0000	9,802,121.58		1.0000	
Total			**9,331,748,561.52**			**7,261,762,821.29**

In which, details of margin trading & short selling：

Item	31 December 2019			31 December 2018		
	Amount of original currency	Exchange rate	RMB amount	Amount of original currency	Exchange rate	RMB amount
Corporate credit capital			47,834,623.14			500,000,000.00
RMB	4,259,757.15	1.0000	4,259,757.15	500,000,000.00	1.0000	500,000,000.00
HKD	20,858,191.06	0.8958	18,684,350.39			
USD	3,520,846.45	6.9762	24,562,129.00			
EUR	42,017.35	7.8155	328,386.60			
Client credit capital			476,131,648.81			514,629,273.79
RMB	440,740,722.05	1.0000	440,740,722.05	429,305,105.35	1.0000	429,305,105.35
USD	25,551.58	6.9762	178,252.93	181,221.99	6.8632	1,243,762.76

Item	31 December 2019			31 December 2018		
	Amount of original currency	Exchange rate	RMB amount	Amount of original currency	Exchange rate	RMB amount
HKD	39,309,511.07	0.8958	35,212,673.83	95,960,289.52	0.8762	84,080,405.68
Total			**523,966,271.95**			**1,014,629,273.79**

(2) As of 31 December, 2019, the Company's cash which deposited overseas were RMB 517,951,813.93, and mainly due to deposits made by Hong Kong subsidiaries.

(3) Payments that have restrictions on use due to mortgages, pledges, or freezes, and potential recovery risks.

Bank	Account number	RMB amount	Reasons for restricted use
Zhongyuan Bank Co., Ltd. Zhengzhou Commercial Outer Ring Road Branch	410199010290011401	40,000,000.00	Pledged for short-term loans

2. Clearing settlement funds

Item	31 December 2019			31 December 2018		
	Amount of original currency	Exchange rate	RMB amount	Amount of original currency	Exchang erate	RMB amount
Corporate reserve funds			**170,907,131.02**			**75,837,969.13**
RMB	170,907,131.02	1.0000	170,907,131.02	75,837,969.13	1.0000	75,837,969.13
Client's ordinary reserve funds			**2,184,595,530.37**			**1,976,334,559.16**
RMB	2,176,489,870.41	1.0000	2,176,489,870.41	1,968,251,393.88	1.0000	1,968,251,393.88
USD	968,157.31	6.9762	6,754,059.03	1,090,008.57	6.8632	7,480,946.82
EUR	1,508,853.66	0.8958	1,351,600.93	687,307.08	0.8762	602,218.46
Client's credit reserve funds			**162,546,854.45**			**288,180,204.50**
RMB	162,546,854.45	1.0000	162,546,854.45	288,180,204.50	1.0000	288,180,204.50
Total			**2,518,049,515.84**			**2,340,352,732.79**

3. Margin accounts receivable

(1) By categories

Item	31 December 2019	31 December 2018
Within borders		
Individual client	5,634,401,621.21	4,205,869,104.66
Institutional client	244,875,805.15	162,164,189.81
Less: provision for impairment	15,281,693.50	9,953,224.71
Subtotal	**5,863,995,732.86**	**4,358,080,069.76**

Item	**31 December 2019**	**31 December 2018**
Overseas		
Individual client	186,388,556.91	222,589,197.12
Institutional client	66,070,903.40	210,170,224.79
Less: provision for impairment	55,714,996.61	70,341,605.41
Subtotal	**196,744,463.70**	**362,417,816.50**
Total	**6,060,740,196.56**	**4,720,497,886.26**

(2) Details of the collateral provided to the Company in relating to margin accounts receivable

Collateral type	**31 December 2019**	**31 December 2018**
Cash	712,533,596.87	666,011,296.45
Bonds	32,515,067.85	19,208,167.58
Stocks	17,413,349,206.33	12,806,172,094.48
Funds	92,631,047.75	49,505,806.76
Total	**18,251,028,918.80**	**13,540,897,365.27**

4. Derivative financial assets and liabilities

(1) 31 December 2019

Item	**Hedging instruments**			**Non-hedging instruments**		
	Contractual value	**Fair value**		**Contractual value**	**Fair value**	
		Asset	**Liability**		**Asset**	**Liability**
Other derivative				**1,642,498,492.81**	**11,384,115.93**	**83,740.00**
Commodity futures				152,923,405.00	1,728,975.00	
Less：Offsetting with temporary receipts and payments					1,663,900.00	
National debt futures				1,234,738,750.00	577,393.51	
Less：Offsetting with temporary receipts and payments					577,393.51	
Commodity options				948,820.00	53,190.00	83,740.00
Forward contract				253,887,517.81	11,265,850.93	
Total				**1,642,498,492.81**	**11,384,115.93**	**83,740.00**

(2) 31 December 2018

Item	**Hedging instruments**			**Non-hedging instruments**		
	Contractual value	**Fair value**		**Contractual value**	**Fair value**	
		Asset	**Liability**		**Asset**	**Liability**
Equity derivatives				**108,278,919.88**		
Stock index futures				108,278,919.88		2,051,239.88
Less: Offsetting with temporary receipts and payments						2,051,239.88

Item	Hedging instruments			Non-hedging instruments		
	Contractual value	Fair value		Contractual value	Fair value	
		Asset	Liability		Asset	Liability
Other derivative				**469,028,184.48**	**62,985,609.15**	
Commodity futures				33,562,933.10	2,967,325.00	
Less:Offsetting with temporary receipts and payments					2,967,325.00	
Forward contract				435,465,251.38	62,985,609.15	
Total				**577,307,104.36**	**62,985,609.15**	

Under the non-debt settlement system on the current day , the profit & loss from settlement from stock index futures、commodity futures、national debt futures contracts as at 31 December, 2019 and 31 December, 2018 included in "clearing settlement funds". Derivative instruments such as stock index futures,commodity futures,national debt futures contracts under derivative financial assets/liability are listed as the net amount of RMB nil after offsetting with temporary receipts and payments (position profit & loss from settlement).

5. Refundable deposits

Item	31 December 2019			31 December 2018		
	Amount of original currency	Exchange rate	RMB amount	Amount of original currency	Exchange rate	RMB amount
Trading margin			**385,892,047.09**			**252,289,654.67**
RMB	381,395,763.06	1.0000	381,395,763.06	249,400,942.74	1.0000	249,400,942.74
HKD	4,099,055.64	0.8958	3,671,852.00	1,429,236.51	0.8762	1,252,297.03
USD	115,651.44	6.9762	806,807.58	219,040.00	6.8632	1,503,315.33
EUR	16.41	7.8155	128.25	17,009.36	7.8473	133,099.57
JPY	273,011.27	0.0641	17,496.20			
Credit margin			**7,010,153.46**			**12,140,676.31**
RMB	7,010,153.46	1.0000	7,010,153.46	12,140,676.31	1.0000	12,140,676.31
Performance guarantee			**2,267,535.40**			**18,281,028.29**
RMB	2,267,535.40	1.0000	2,267,535.40	18,281,028.29	1.0000	18,281,028.29
Total			**395,169,735.95**			**282,711,359.27**

6. Accounts receivable

(1) By categories

Item	31 December 2019	31 December 2018
Settlement amount receivable	15,315,160.75	21,253,989.29
Asset management fee receivable	57,249,098.30	27,871,594.92
Fees and commission receivable	35,813,072.18	44,015,570.76

Item	31 December 2019	31 December 2018
Margin trading &short selling payment receivable	9,177,327.68	8,506,102.16
Others	49,947,075.69	1,800,883.85
Less: Provision for bad debts（According to the simplified model）	13,589,432.23	10,205,657.66
Book value of accounts receivable	**153,912,302.37**	**93,242,483.32**

(2) By methods of evaluation

Item	31 December 2019			
	Book value of accounts receivable		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Single provision for bad debts	25,822,823.17	15.42	10,034,816.67	38.86
Subtotal	**25,822,823.17**	**15.42**	**10,034,816.67**	
Combination provision for bad debts				
within 1 year	105,040,653.25	62.70	525,203.26	0.50
1-2 year	26,090,887.21	15.58	1,304,544.36	5.00
2-3 year	3,846,577.64	2.30	384,657.76	10.00
3-4 year	6,700,278.16	4.00	1,340,055.63	20.00
4-5 year	515.17		154.55	30.00
Subtotal	**141,678,911.43**	**84.58**	**3,554,615.56**	
Total	**167,501,734.60**	**100.00**	**13,589,432.23**	

(continued)

Item	31 December 2018			
	Book value of accounts receivable		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Single provision for bad debts	45,346,951.45	43.84	8,961,521.15	19.76
Subtotal	**45,346,951.45**	**43.84**	**8,961,521.15**	
Combination provision for bad debts				
within 1 year	44,789,203.93	43.29	223,946.05	0.50
1-2 year	6,221,192.27	6.01	311,059.61	5.00
2-3 year	7,090,278.16	6.85	709,027.82	10.00
3-4 year	515.17	0.01	103.03	20.00
Subtotal	**58,101,189.53**	**56.16**	**1,244,136.51**	
Total	**103,448,140.98**	**100.00**	**10,205,657.66**	

(3) Among the balance of accounts receivable at the end of the year, the amount receivable from shareholder units holding more than 5% (including 5%) of the voting shares of the Company was RMB 287,809.94.

7. Financial assets held under resale agreement

(1) By categories of business

Item	31 December 2019	31 December 2018
Agreed repurchase securities	12,829,661.10	26,417,065.46
Stock pledge repurchase	2,035,425,405.12	3,220,436,017.55
Bonds outright repo	1,164,604,789.02	4,212,672,535.14
Bonds pledge repurchase	214,517,707.39	1,683,111,657.24
Less:provision for asset impairment	403,489,034.92	226,068,561.11
Total	**3,023,888,527.71**	**8,916,568,714.28**

(2) By categories of subjects

Item	31 December 2019	31 December 2018
Stocks	2,048,255,066.22	3,246,853,083.01
Bonds	1,379,122,496.41	5,895,784,192.38
Less:provision for asset impairment	403,489,034.92	226,068,561.11
Book Value	**3,023,888,527.71**	**8,916,568,714.28**

(3) Details of collateral

Collateral type	31 December 2019	31 December 2018
Stocks	2,914,932,993.06	5,231,919,289.39
Bonds	1,380,791,342.00	6,021,212,705.10
Total	**4,295,724,335.06**	**11,253,131,994.49**
Include: Collateral that can be sold or re-collateralized	1,163,992,480.00	4,298,435,870.60
Collateral that has been sold or has been pledged again	966,923,000.00	3,057,590,519.65

(4) By residual maturity (financed funds acquired through agreed repurchase and pledged repurchase)

Remaining period	31 December 2019	31 December 2018
Within 1month		5,864,864.75
1-3 month	153,632,876.69	306,060,318.00
3 month-1year	450,806,989.83	1,605,091,266.66
More than 1year	13,222,856.95	379,170,000.00
Past due	1,417,762,681.65	924,249,568.14
Total	**2,035,425,405.12**	**3,220,436,017.55**

(5) Bonds outright repo by stage of impairment

Item	31 December 2019			
	Expected credit losses in the next 12 months	**No credit impairment**	**Credit impairment**	**Total**
Book balance	617,662,723.47	150,000,000.00	1,267,762,681.65	2,035,425,405.12
Impairment allowance	987,204.26	541,515.64	401,952,176.28	403,480,896.18
Book value	**616,675,519.21**	**149,458,484.36**	**865,810,505.37**	**1,631,944,508.94**
The value of Collateral	**1,688,168,350.68**	**164,160,000.00**	**1,021,073,955.18**	**2,873,402,305.86**

8. Financial asset at fair value through profit or loss

(1) By categories

Item	31 December 2019					
	Fair value			**Initial cost**		
	Classified into FVTPL	**Designated as FVTPL**	**Total**	**Classified into FVTPL**	**Designated as FVTPL**	**Total**
Bonds	13,810,266,165.45		13,810,266,165.45	13,729,609,266.85		13,729,609,266.85
Public Offering of Fund	792,478,949.57		792,478,949.57	789,646,056.89		789,646,056.89
Stocks	1,448,376,173.97		1,448,376,173.97	1,512,863,535.94		1,512,863,535.94
Bank financing product	163,533,291.76		163,533,291.76	161,000,000.00		161,000,000.00
Securities asset management products	17,062,550.00		17,062,550.00	20,900,000.00		20,900,000.00
Others	995,301,516.01		995,301,516.01	1,121,560,520.40		1,121,560,520.40
Total	**17,227,018,646.76**		**17,227,018,646.76**	**17,335,579,380.08**		**17,335,579,380.08**

(continued)

Item	31 December 2018					
	Fair value			**Initial cost**		
	Classified into FVTPL	**Designated as FVTPL**	**Total**	**Classified into FVTPL**	**Designated as FVTPL**	**Total**
Bonds	8,842,288,627.40		8,842,288,627.40	8,716,359,344.11		8,716,359,344.11
Public Offering of Fund	1,470,728,287.42		1,470,728,287.42	1,469,616,937.38		1,469,616,937.38
Stocks	1,758,982,339.39		1,758,982,339.39	2,026,592,812.57		2,026,592,812.57
Banking product	303,816,252.06		303,816,252.06	303,000,000.00		303,000,000.00
Asset management products of securities companies	112,224,154.21		112,224,154.21	114,273,043.59		114,273,043.59
Trust scheme products	149,733,167.70		149,733,167.70	150,000,000.00		150,000,000.00

Item	31 December 2018					
	Fair value			Initial cost		
	Classified into FVTPL	Designated as FVTPL	Total	Classified into FVTPL	Designated as FVTPL	Total
Others	1,293,983,143.10		1,293,983,143.10	1,267,632,101.15		1,267,632,101.15
Total	**13,931,755,971.28**		**13,931,755,971.28**	**14,047,474,238.80**		**14,047,474,238.80**

Financial asset at fair value through profit or loss "other" at the end of the year were mainly the Company's share of private equity funds, partnership share, etc.

(2) Realization of financial asset at fair value through profit or loss subject to restrictions

Item	Reasons for restriction	Book value -year end	Book value- beginning of the year
Stocks	Restrictions on bulk trading	16,940,000.00	
Banking product	Pledge for short-term borrowing	51,926,438.36	
Bonds	Sale or pledge for repurchase financing	6,276,173,261.05	5,462,875,660.54
Bonds	Pledged for bond lending	952,842,604.73	240,342,986.16
Public funds	Financing out securities	5,410,131.09	1,978,068.60

9. Financial instruments measured at amortised cost

Item	31 December 2019			
	Initial cost	Interest	Impairment allowance	Book value
Private debt	155,098,508.88	1,791,560.00	90,059,105.35	66,830,963.53
Others	657,739,583.53	2,879,308.14	51,059,995.91	609,558,895.76
Total	**812,838,092.41**	**4,670,868.14**	**141,119,101.26**	**676,389,859.29**

(continued)

Item	31 December 2018			
	Initial cost	Interest	Impairment allowance	Book value
Private debt	322,860,000.00	12,497,974.58	11,718,260.01	323,639,714.57
Others	375,000,000.00	1,513,002.88	6,258,683.38	370,254,319.50
Total	**697,860,000.00**	**14,010,977.46**	**17,976,943.39**	**693,894,034.07**

"Others" include " Zhong Jing No.1" and " Lian Meng No.17" asset management plan, for details refer VI. 35.

10. Financial instruments at fair value through other comprehensive income

(1) By categories

Item	31 December 2019				
	Initial cost	**Interest**	**Fair value**	**Book value**	**Accumulated impairment of allowance**
Government debt	250,038,528.94	4,451,328.78	540,798.21	255,030,655.93	
Corporate debt	390,000,000.00	13,158,460.55	6,506,230.00	409,664,690.55	200,655.09
Total	**640,038,528.94**	**17,609,789.33**	**7,047,028.21**	**664,695,346.48**	**200,655.09**

(continued)

Item	31 December 2018				
	Initial cost	**Interest**	**Fair value**	**Book value**	**Accumulated impairment of allowance**
Government debt	349,487,400.62	5,724,841.10	271,095.82	355,483,337.54	
Local debt	39,956,426.47	277,742.47	1,027,733.53	41,261,902.47	23,964.60
Financial debt	229,915,050.86	4,440,772.60	2,547,429.14	236,903,252.60	91,134.73
Corporate debt	90,000,000.00	1,777,602.74	202,000.00	91,979,602.74	145,664.49
Total	**709,358,877.95**	**12,220,958.91**	**4,048,258.49**	**725,628,095.35**	**260,763.82**

(2) Realization of financial instruments at fair value through other comprehensive subject to restrictions

Item	Reasons for restriction	Book value -year end	Book value- beginning of the year
Corporate debt	Pledged for bond lending	105,446,965.57	
Corporate debt	pledge for repurchase financing	304,217,724.98	50,549,602.74
Government debt	Pledge for refinancing operations		104,457,232.34
Financial debt	pledge for repurchase financing		236,903,252.60
Local debt	pledge for repurchase financing		20,630,951.24

11. Long-term equity investments

(1) By categories

Item	31 December 2019	31 December 2018
Long-term equity investment based on equity method	1,133,435,870.73	977,127,175.36
Total	**1,133,435,870.73**	**977,127,175.36**
Less: Impairment loss	28,714,472.06	28,714,472.06
Net long-term equity investment	**1,104,721,398.67**	**948,412,703.30**

(2) Investment in associates

Investee	Opening balance	Increase/Decrease								Closing balance	Impairment provision year-end balance
		Additional Investment	Reducing investment	Investment gains and losses recognized under the equity method	Other comprehensive income adjustment	Other changes in equity	Declare cash dividends or profits	Provision for impairment	others		
Taiping Fund Management Co., Ltd.	9,119,698.57		8,346,147.45	-773,551.12							
Henan Huatai Grain and Oil Machinery Co., Ltd.	12,631,378.14		7,296,577.47	244,935.04						5,579,735.71	
Henan Zhongping Financing Guarantee Co., Ltd.	49,326,468.42			2,874,421.48						52,200,889.90	
Henan Longfengshan Agriculture and Animal Husbandry Co., Ltd.	29,826,031.32			-12,306,776.47						17,519,254.85	
Zhengzhou Nongtao E-commerce Co., Ltd.	1,318,756.96			-44,051.36						1,274,705.60	12,204,617.53
CSI Jiaotong Fund Management Co., Ltd.	19,748,723.21			86,582.03						19,835,305.24	
Henan Investment Realistic Communication Co., Ltd.	1,067,172.02			-75,091.86						992,080.16	
Henan Shengtong Juyuan Venture Capital Fund (Limited Partnership)	82,908,739.52			-1,909,997.71						80,998,741.81	
Xiping Zhongding Brilliant Zhiyuan Investment Center (Limited Partnership)	3,812,973.28			-923.78						3,812,049.50	
Puyang Chuangying Industrial Investment Fund Co., Ltd.		2,060,000.00		-67,718.62						1,992,281.38	
Shangcai Zhongding Industrial Development Investment Fund (Limited Partnership)		2,500,000.00		-31,387.81						2,468,612.19	
Xinxiang Zhongding Technology Achievement Transformation Fund (Limited Partnership)		20,000,000.00		-56,683.60						19,943,316.40	
Luoyang Guohong CSI Industry Development Investment Fund (Limited Partnership)		12,500,000.00		-181,717.36						12,318,282.64	
Henan Jinding Shengyuan Equity Investment Fund (Limited Partnership)		59,200,000.00		-1,083,632.92						58,116,367.08	
Luoyang CSI Technology Innovation Venture Capital Fund (Limited Partnership)		11,000,000.00		42,157.20						11,042,157.20	
Luohe Huarui Permanent Magnetic Material	1,500,000.00									1,500,000.00	3,389,755.50

Investee	**Opening balance**	**Increase/Decrease**								**Closing balance**	**Impairment provision year-end balance**
		Additional Investment	**Reducing investment**	**Investment gains and losses recognized under the equity method**	**Other comprehensive income adjustment**	**Other changes in equity**	**Declare cash dividends or profits**	**Provision for impairment**	**others**		
Co., Ltd.											
Henan Huayang Paper Plastic Packaging Co., Ltd.	20,103,987.51		23,223,569.33	3,119,581.82							
Henan Zhonglian Equipment Manufacturing Technology Research Center Co., Ltd.	20,113,404.01			-175,757.22						19,937,646.79	
Zhongyuan Environmental Capital Technology Co., Ltd.	17,895,850.98			-1,165,658.04						16,730,192.94	
Henan Carat Diamond Co., Ltd.	16,010,455.31			1,294,057.12						17,304,512.43	
Henan Jiaoguang Rongmedia Cultural Communication Co., Ltd.	3,943,101.07			-94,468.10						3,848,632.97	
Henan Ruida Pharmaceutical Technology Co., Ltd.											5,059,488.46
Zhengzhou IKEA Anhao Software Technology Co., Ltd.											3,476,571.60
Zhengzhou meets Network Technology Co., Ltd.	3,471,850.84			32,332.66						3,504,183.50	
Zhengzhou Evan Computer Technology Co., Ltd.											4,091,051.74
Zhengzhou Dahe Zhixin Technology Co., Ltd.	10,735,058.63			649,010.15						11,384,068.78	
Nanyang Fuxinte Optoelectronics Technology Co., Ltd.	5,973,484.49		2,389,393.80	708,882.90						4,292,973.59	
Henan Ruifeng Diamond Products Co., Ltd.	5,824,883.09			889,763.04						6,714,646.13	
Zhengzhou Maijia Agricultural Technology Co., Ltd.	1,850,214.41			-223,132.24						1,627,082.17	
Henan Liying Environmental Protection Technology Co., Ltd.	22,405,503.58			161,815.55						22,567,319.13	
Henan Dudu Computer Technology Co., Ltd.	240,000.00									240,000.00	492,987.23
Tangyin County Innovation Industry Investment Fund (Limited Partnership)	1,405,001.78			19,489.52						1,424,491.30	
Minquan County Innovation Industry Investment Fund (Limited Partnership)	20,350,531.33			1,474,408.83						21,824,940.16	

Investee	**Opening balance**	**Increase/Decrease**								**Closing balance**	**Impairment provision year-end balance**
		Additional Investment	**Reducing investment**	**Investment gains and losses recognized under the equity method**	**Other comprehensive income adjustment**	**Other changes in equity**	**Declare cash dividends or profits**	**Provision for impairment**	**others**		
Qingdao Zhongzhou Lanhai Beisheng Investment Management Center (Limited Partnership)	6,000,177.21	3,064,300.00		3,120,033.39						12,184,510.60	
Henan Zhongyuan Big Data Trading Center	1,954,144.42			-48,437.21						1,905,707.21	
Henan Asset Management Co., Ltd.	479,558,780.38	50,000,000.00		37,190,898.83	2,251,346.29		-6,663,351.05			562,337,674.45	
Henan Dahecai Cube Media Holdings Co., Ltd.	29,721,947.21			1,067,338.22						30,789,285.43	
Hebi Magnesium Trading Center Co., Ltd.	10,009,675.00			37,083.18						10,046,758.18	
Shangcai Fengtuo Agriculture and Forestry Technology Co., Ltd.	5,000,000.00			-10,545.06						4,989,454.94	
2242257OntariosInc	7,864,752.06			175,749.66						8,040,501.72	
Luoyang Jianlong Weina New Material Co., Ltd.	35,656,590.51			6,248,000.00						41,904,590.51	
Luoyang Desheng Biotechnology Co., Ltd.	11,063,368.04			465,078.04						11,528,446.08	
Total	**948,412,703.30**	**160,324,300.00**	**41,255,688.05**	**41,652,088.18**	**2,251,346.29**		**-6,663,351.05**			**1,104,721,398.67**	**28,714,472.06**

In 2019, the Company believes that there is no additional impairment provision.

12. Investment properties

Item	**Buildings and structures**	**Total**
Original book value		
1.Opening balance	33,882,398.45	33,882,398.45
2.Increase		
3.Decrease		
4.Closing balance	33,882,398.45	33,882,398.45
Accumulated depreciation and accumulated amortization		
1.Opening balance	15,777,178.81	15,777,178.81
2.Increase	815,549.71	815,549.71
(1)Accrual or amortization	815,549.71	815,549.71
3.Decrease		
4.Closing balance	16,592,728.52	16,592,728.52
Provision for impairment		
1.Opening balance		
2.Increase		
3.Decrease		
4.Closing balance		
Book value		
1. Closing book value	17,289,669.93	17,289,669.93
2. Opening book value	18,105,219.64	18,105,219.64

On 31 December, 2019 and 31 December, 2018, the Company consider that investment properties should not be calculated impairment loss.

On 31 December, 2019 and 31 December, 2018, the Company's investment equity has no outstanding property rights certificate.

13. Fixed assets

(1) Book Value

Item	**31 December 2019**	**31 December 2018**
Original value of fixed assets	529,779,821.41	537,626,863.82
Less: Accumulative depreciation	336,747,594.72	320,563,584.07
Less: Provision for asset impairments		
Total	**193,032,226.69**	**217,063,279.75**

(2) Changes in the increase or decrease of fixed assets

Item	Buildings and structures	Electronic equipment	Transport facilities	Others	Total
Original book value					
1.Opening balance	182,058,393.80	310,616,419.03	25,576,198.90	19,375,852.09	537,626,863.82
2.Increase		28,498,938.74	124,255.57	1,066,789.29	29,689,983.60
(1)Acquisition		28,498,938.74	124,255.57	1,066,789.29	29,689,983.60
(2)Transferred in from investment properties					
3.decrease	23,780,064.95	11,923,300.28	918,917.33	990,463.47	37,612,746.03
(1)Disposal or scrap	23,780,064.95	11,923,300.28	918,917.33	990,463.47	37,612,746.03
4.Difference by foreign currency		39,417.45	30,785.45	5,517.12	75,720.02
5.Closing balance	158,278,328.85	327,231,474.94	24,812,322.59	19,457,695.03	529,779,821.41
Accumulative depreciation					
1.Opening balance	54,474,745.03	231,462,756.46	18,958,967.75	15,667,114.83	320,563,584.07
2.Increase	4,423,464.34	27,993,015.62	1,270,092.81	986,381.52	34,672,954.29
(1)Accrual	4,423,464.34	27,993,015.62	1,270,092.81	986,381.52	34,672,954.29
(2)Transferred in from investment properties					
3.Decrease	5,377,312.50	11,379,384.28	845,028.85	929,297.93	18,531,023.56
(1) Disposal or scrap	5,377,312.50	11,379,384.28	845,028.85	929,297.93	18,531,023.56
4.Difference from foreign currency translation		23,415.08	15,421.98	3,242.86	42,079.92
5. Closing balance	53,520,896.87	248,099,802.88	19,399,453.69	15,727,441.28	336,747,594.72
Provision for impairment					
1.Opening balance					
2.Increase					
3.Decrease					
4.Closing balance					
Book value					
1.Closing book value	104,757,431.98	79,131,672.06	5,412,868.90	3,730,253.75	193,032,226.69
2.Opening book value	127,583,648.77	79,153,662.57	6,617,231.15	3,708,737.26	217,063,279.75

(3) The depreciation of the fixed asset is RMB 34,672,954.29.

(4) On 31 December, 2019, the Company has no fixed assets that have not completed the title certificate.

14. Construction in progress

Item	31 December 2019			31 December 2018		
	Book balance	**Impairment loss**	**Book value**	**Book balance**	**Impairment loss**	**Book value**
Office building construction	35,578,119.28		35,578,119.28	11,974,256.95		11,974,256.95
Total	**35,578,119.28**		**35,578,119.28**	**11,974,256.95**		**11,974,256.95**

15. Right-of-use assets

Item	Buildings and structures	Total
Original book value		
1.Opening balance	158,368,705.04	158,368,705.04
2.Increase	83,169,132.64	83,169,132.64
(1)Rent in	83,169,132.64	83,169,132.64
3.Difference by foreign currency	744,155.04	744,155.04
4.Closing balance	242,281,992.72	242,281,992.72
Accumulative depreciation		
1.Opening balance		
2. Increase	57,294,120.55	57,294,120.55
(1)Accrual	57,294,120.55	57,294,120.55
3.Difference by foreign currency	10,176.10	10,176.10
4.Closing balance	57,304,296.65	57,304,296.65
Book value		
1.Opening balance	184,977,696.07	184,977,696.07
2.Closing balance	158,368,705.04	158,368,705.04

The Company consider that there is no impairment of Right-of-use assets.

16. Intangible assets

(1) Details

Item	Computer software	Seat fee	Land use right	Others	Total
Original book value					
1.Opening balance	197,701,394.53	32,651,150.00	105,480,246.53	2,444,000.00	338,276,791.06
2.Increase	26,127,139.22				26,127,139.22
3.Decrease	26,000.00				26,000.00
4.Difference by foreign currency		19,580.00			19,580.00
5.Closing balance	223,802,533.75	32,670,730.00	105,480,246.53	2,444,000.00	364,397,510.28
Accumulative depreciation					

Item	Computer software	Seat fee	Land use right	Others	Total
1.Opening balance	133,241,131.07	31,508,283.52	12,525,779.10	2,371,666.80	179,646,860.49
2.Increase	24,812,517.46	50,000.04	2,637,006.12	67,166.71	27,566,690.33
3.Decrease	26,000.00				26,000.00
4.Difference by foreign currency					
5.Closing balance	158,027,648.53	31,558,283.56	15,162,785.22	2,438,833.51	207,187,550.82
Impairment allowance					
1.Opening balance					
2.Increase					
3.Decrease					
4.Closing balance					
Book value					
1.Opening balance	65,774,885.22	1,112,446.44	90,317,461.31	5,166.49	157,209,959.46
2.Closing balance	64,460,263.46	1,142,866.48	92,954,467.43	72,333.20	158,629,930.57

(2) The amortization amount of intangible assets was RMB 27,566,690.33 in 2019.

(3)On 31 December, 2019 and 31 December , 2018, the Company has no significant intangible assets used as collateral or guarantee.

(4) Details of transaction seat fees

Item	Original balance	31 Dec.2018	Amortized or transferred	Accumulated amortization or roll-out	Difference by foreign currency	31 Dec. 2019
Shanghai Stock Exchange A shares	19,462,500.00			19,462,500.00		
Shenzhen Stock Exchange A shares	11,812,450.00			11,812,450.00		
National SME Stock Transfer System Co., Ltd.	500,000.00	266,666.48	50,000.04	283,333.56		216,666.44
Hong Kong Stock Exchange	876,200.00	876,200.00			19,580.00	895,780.00
Total	**32,651,150.00**	**1,142,866.48**	**50,000.04**	**31,558,283.56**	**19,580.00**	**1,112,446.44**

17. Deferred income tax assets and deferred income tax liabilities

(1) Confirmed deferred income tax assets and deferred income tax liabilities

Item	31 December 2019	31 December 2018
Deferred income tax assets		
provision for asset impairment	177,525,697.93	98,178,271.97
Changes in fair value of financial assets measuredat their fair values through profit or loss and derivative financial instruments	81,599,266.52	73,416,379.12
Futures risk reserve	105,574.86	105,574.86
Employee benefits payable	73,607,160.80	63,740,065.86
Others	12,787,993.00	15,876,205.56
Total	**345,625,693.11**	**251,316,497.37**
Deferred income tax liabilities		
Changes in fair value of Financial liabilities measured at their fair values through profit or loss	779,484.35	
Changes in fair value of Financial assets measuredat their fair values through profit or loss	5,355,340.60	1,661,223.81
Changes in fair value of derivative financial instrument	144,348.38	741,831.25
Changes in fair value off financial assets through other comprehensive income	1,761,757.05	1,012,064.62
Others	217,354.09	46,036.30
Total	**8,258,284.47**	**3,461,155.98**

(2)Temporary difference items

Item	31 December 2019	31 December 2018
Deductible temporary differences		
provision for asset impairment	754,884,181.04	416,643,882.75
Changes in fair value of financial assets measuredat their fair values through profit or loss and derivative financial instruments	400,855,489.22	315,699,315.44
Futures risk reserve	422,299.44	422,299.44
Employee benefits payable	294,428,643.20	254,960,263.44
Others	51,151,972.00	63,504,822.30
Total	**1,501,742,584.90**	**1,051,230,583.37**
Taxable temporary difference		
Changes in fair value of Financial liabilitiesmeasured at their fair values through profit or loss	3,117,937.40	
Changes in fair value of Financial assetsmeasured at their fair values through profit or loss	21,421,362.40	6,644,895.24
Changes in fair value of derivative financial instrument	577,393.52	2,967,325.00
Changes in fair value off financial assets through other comprehensive income	7,047,028.21	4,048,258.48
Others	869,416.36	184,145.20
Total	**33,033,137.89**	**13,844,623.92**

(3) It is possible for the Company to acquire taxable income offsetting deductible temporary differences. Thus the Company recognized the deferred tax assets.

18. Goodwill

Investee	31 December 2018	Generated from business combination in the current period	Difference from foreign currency translation	31 December 2019	31 Dec.2019 Impairment loss
Central China Futures Co., Ltd.	7,268,756.37			7,268,756.37	
Central China Financing International Co., Ltd.	14,772,934.76		330,123.33	15,103,058.09	
Total	**22,041,691.13**		**330,123.33**	**22,371,814.46**	

(1) In 2007, the Company acquired 55.68% of Yuliang Futures Brokerage Co., Ltd. (subsequently renamed to Central China Futures Co., Ltd.).The difference between the fair value of the identifiable assets and liabilities of Central China Futures Co., Ltd. obtained by the merger cost exceeding the proportion is recognized as goodwill related to Central China Futures Co., Ltd.

(2) Goodwill of the Group arose from its acquisition of 100% of Pan Asia Corporate Finance Limited (subsequently renamed to Central China International Financial Holdings Co., Ltd.) in 2016 with a merger consideration HKD24,416,272.00. The recognition of fair value is HKD 7,556,040.59 and the difference is HKD 16,860,231.41, which is converted into goodwill at the exchange rate of RMB 15,103,058.09 on 31 December, 2019.

(3) The main cash flow generated by the above invested unit is independent of the other subsidiaries, and the Company separately manages the above subsidiaries. Therefore, each subsidiary is an asset group and the goodwill formed by the business combination with separately impairment test. The recoverable amount of the Company's goodwill is determined by the method of estimating the present value of future cash flows. The discount of cash flow is calculated using an appropriate discount rate and reflects the specific risks of the relevant asset group. As of 31 December, 2019, the Company's carrying amount of the goodwill through an impairment test, and it is expected that the recoverable amount has not resulted in the recognition of impairment losses, and no corresponding impairment provision has been made.

19. Other assets

(1) Details

Item	31 December 2019	31 December 2018
Other receivables	165,575,875.56	165,703,853.58
Deferred expense	9,218,414.91	25,862,592.15
Long-term deferred expense	29,329,480.40	25,758,507.31
Pending underwriting expenses	415,675.06	875,591.82

Item	31 December 2019	31 December 2018
Entrusted Loan	13,828,588.41	14,615,445.40
Loan	1,074,197,140.31	1,229,107,659.76
Commodity inventory	120,615,640.34	23,050,781.50
Others	32,918,214.70	13,131,643.54
Total	**1,446,099,029.69**	**1,498,106,075.06**

(2) Other receivables

1) Details

Item	31 December 2019	31 December 2018
Prepayments	40,042,809.83	27,987,865.58
Deposits	27,208,048.47	13,882,295.79
Indemnity receivable		92,421,755.86
Others	119,516,225.79	52,865,496.70
Less: Provision for asset impairment	21,191,208.53	21,453,560.35
Book value	**165,575,875.56**	**165,703,853.58**

2) By evaluation method

Item	31 December 2019			31 December 2018		
	Book balance	Provision for bad debts	Proportion (%)	Book balance	Provision for bad debts	Proportion (%)
Separate provision for bad debts	81,267,704.86	16,592,568.75	20.42	119,933,597.99	16,612,056.15	13.85
Subtotal	**81,267,704.86**	**16,592,568.75**		**119,933,597.99**	**16,612,056.15**	
Combination provision for bad debts						
Within 1 year	81,113,192.09	405,566.08	0.50	38,504,489.86	192,522.45	0.50
1-2 year	13,902,884.24	695,144.21	5.00	17,982,222.58	899,111.13	5.00
2-3 year	2,924,366.68	292,436.67	10.00	2,853,367.14	285,336.71	10.00
3-4 year	1,178,726.47	235,745.29	20.00	1,133,616.73	226,723.35	20.00
4-5 year	1,101,786.73	330,536.02	30.00	686,246.28	205,873.88	30.00
More than 5 year	5,278,423.02	2,639,211.51	50.00	6,063,873.35	3,031,936.68	50.00
Subtotal	**105,499,379.23**	**4,598,639.78**		**67,223,815.94**	**4,841,504.20**	
Total	**186,767,084.09**	**21,191,208.53**		**187,157,413.93**	**21,453,560.35**	

3) At the end of the year, there are no accounts receivable from related parties.

(3) Long-term deferred expense

Item	**31 December 2018**	**Increase**	**Deferred**	**Decrease**	**31 December 2019**
Decoration expense	25,758,507.31	16,772,667.93	13,166,023.49	35,671.35	29,329,480.40
Total	**25,758,507.31**	**16,772,667.93**	**13,166,023.49**	**35,671.35**	**29,329,480.40**

(4) Entrusted Loan

Item	**31 December 2019**	**31 December 2018**
Entrusted Loan	34,633,051.35	35,370,878.91
Less: Provision for asset impairments	20,804,462.94	20,755,433.51
Book value	**13,828,588.41**	**14,615,445.40**

(5) Loan

1) By categories

Item	**31 December 2019**	**31 December 2018**
Individual	51,830,380.83	14,362,570.83
Agency	1,105,263,879.41	1,258,289,172.28
Less: Provision for asset impairments	82,897,119.93	43,544,083.35
Book value	**1,074,197,140.31**	**1,229,107,659.76**

Henan Central China Micro-lending Company Limiteda subsidiary of the Company, has started its loan business in 2017 and has borrowed money from third parties at an annual interest rate of 7.125% to 17.28%.

2) By credit

Item	**31 December 2019**	**31 December 2018**
Mortgage loan	33,511,383.51	10,052,800.00
Pledge loan	73,270,550.00	108,383,166.67
Guaranteed loan	1,033,539,382.84	1,154,215,776.44
Credit loan	16,772,943.89	
Less: Provision for asset impairments	82,897,119.93	43,544,083.35
Book value	**1,074,197,140.31**	**1,229,107,659.76**

3) The change of loss of loan

Item	31 December 2018	Accrual	31 December 2019
Impairment loss of loan	43,544,083.35	39,353,036.58	82,897,119.93
Total	**43,544,083.35**	**39,353,036.58**	**82,897,119.93**

20. Financing out securities

Item	31 December 2019	31 December 2018
Financing out securities	**5,410,131.09**	**1,978,068.60**
—Held-for-trading financial assets	5,410,131.09	1,978,068.60

As of 31 December, 2019 and 31 December, 2018, the Company's securities lending activity has no major contract overdue.

21. Details of provision for asset impairment

(1) By changing details

Item	**31 December 2018**	**Increase**	**Decrease**		**Difference from foreign currency translation**	**31 December 2019**
			Turn back	**Transfer out**		
Provision for impairment of financing	80,294,830.12	5,408,220.13		16,279,993.72	1,573,633.58	70,996,690.11
Provision for bad debts	31,659,218.01	3,116,185.10			5,237.65	34,780,640.76
Provision for impairment of financial assets held under resale agreement	226,068,561.11	177,420,473.81				403,489,034.92
Provision for impairment of Financial instruments measured at amortised cost	17,976,943.39	121,925,646.33			1,216,511.54	141,119,101.26
Provision for impairment of financial instruments at fair value through other comprehensive income	260,763.82	16,635.67		76,744.40		200,655.09
Provision for impairment of other assets	5,150,000.00	2,408,888.38				7,558,888.38
Provision for impairment of loan	43,544,083.35	39,353,036.58				82,897,119.93
Provision for impairment of entrusted loan	20,755,433.51	49,029.43				20,804,462.94
Subtotal	**425,709,833.31**	**349,698,115.43**		**16,356,738.12**	**2,795,382.77**	**761,846,593.39**
Provision for impairment of long-term equity investments	28,714,472.06					28,714,472.06
Provision for inventory falling price	1,374,080.00	9,760,642.03		11,069,644.01		65,078.02
Subtotal	**30,088,552.06**	**9,760,642.03**		**11,069,644.01**		**28,779,550.08**
Total	**455,798,385.37**	**359,458,757.46**		**27,426,382.13**	**2,795,382.77**	**790,626,143.47**

(2) Provision for financial instruments and other items impairment

Item	31 December 2019			
	Expected credit losses in the next 12 months	Expected credit loss for the entire duration （No credit impairment）	Credit impairment	Total
Provision for impairment of financing	15,285,375.88		55,711,314.23	70,996,690.11
Provision for bad debts（simplified model ）		8,153,255.34	26,627,385.42	34,780,640.76
Provision for impairment of financial assets held under resale agreement	995,343.00	541,515.64	401,952,176.28	403,489,034.92
Provision for impairment of financial instruments measured at amortised cost	709,880.59		140,409,220.67	141,119,101.26
Provision for impairment of financial instruments at fair value through other comprehensive income	200,655.09			200,655.09
Provision for impairment of other assets			7,558,888.38	7,558,888.38
Provision for impairment of loan	7,501,815.14		75,395,304.79	82,897,119.93
Provision for impairment of entrusted loan			20,804,462.94	20,804,462.94
Total	**24,693,069.70**	**8,694,770.98**	**728,458,752.71**	**761,846,593.39**

22. Short-term loans

Item	31 December 2019	31 December 2018
Credit borrowing (note 1)	1,067,700,654.19	1,208,427,413.01
Pledge borrowing (note 2)	85,811,114.11	101,354,090.78
Guaranteed borrowing (note 3)	415,236,129.54	565,205,600.00
Total	**1,568,747,897.84**	**1,874,987,103.79**

Note 1: As of December 31, 2019, credit loans included loans from subsidiaries Central China International and Henan Central China Micro-lending.Central China International and its subsidiaries apply for loans from Industrial Bank Co., Ltd. Hong Kong Branch, Minsheng Bank Co., Ltd. Hong Kong Branch, China Merchants Wing Lung Bank Co., Ltd., Dah Sing Bank Co., Ltd. and Chiyu Bank Co., Ltd., with a loan period not exceeding 1year and the loan interest rate was between approximately Hibor + 1.7% and Hibor + 3.25%. Credit borrowings also included amounts borrowed by subsidiaries Central China International in the form of syndicated loans through China Merchants Wing Lung Bank Co., Ltd, Chiyu Bank Co., Ltd., and Jiangsu BankCo., Ltd., at annual interest rates ranging from Hibor+3.0% (1 month) to Hibor+3.0% (3 months) .

Henan Central China Micro-lending apply loans from Zhengzhou Jinshui Garden Sub-branch of Guangfa Bank Co., Ltd., Jiaozuo China Travel Bank Co., Ltd., and Zhongyuan Bank Co., Ltd. Zhengzhou Branch shall not exceed 1 year, and the loan interest rate shall be between 5.22% and 6.09%.

Note 2: As of 31 December, 2019, Henan Central China Micro-lending pledge borrowing by bank business and deposit from Guangfa Bank Zhengzhou Jinshui Garden Sub-branch and Zhongyuan Bank Co., Ltd. Zhengzhou Branch shall not exceed one year, and the annual interest rate shall be between 3.70% and 4.785%.

Note 3：As of 31 December, 2019, Guaranteed loan is the amount borrowed by the subsidiary Central China International through China Merchants Wing Lung Bank Co., Ltd. and China Merchants Bank Co., Ltd. Hong Kong Branch in the form of domestic guarantee and external loans with interest rate between Hibor+2.0%and Hibor+2.5%.

23. Short-term financing notes payable

Item	Par value	Start Date	Period	Issuing amount	Coupen rate	Book balance of 31 Dec. 2018	Increase	Decrease	Book balance of 31 Dec. 2019
16Central China 01(note 1)	2,500,000,000.00	22 April 2016	3years	2,500,000,000.00	4.20%	2,573,068,493.22	31,931,506.79	2,605,000,000.01	
17 Central China 01 （note1）	1,500,000,000.00	26 July 2017	3years	1,500,000,000.00	5.15%		1,533,651,369.85		1,533,651,369.85
17 Central China 02 （note1)	1,000,000,000.00	17 November 2017	3years	1,000,000,000.00	5.49%		1,006,768,493.23		1,006,768,493.23
13 Central China debt (note2)	1,500,000,000.00	23 April 2014	5years	1,500,000,000.00	6.20%	1,563,583,196.12	40,008,369.41	1,603,591,565.53	
19Central China F1(note3)	1,500,000,000.00	16 April 2019	1year	1,500,000,000.00	3.80%		1,540,446,575.35		1,540,446,575.35
Income certificates (note 4)	371,356,000.00	From 5 July 2019 to 31 December 2019	14~182 days	371,356,000.00	2.75%~6.0%	537,577,093.50	4,034,800,564.81	4,197,796,971.99	374,580,686.32
Total	**8,371,356,000.00**			**8,371,356,000.00**		**4,674,228,782.84**	**8,187,606,879.44**	**8,406,388,537.53**	**4,455,447,124.75**

On 31 December, 2019, Short-term financing notes payable include subordinated debt, income certificates which period less than 1year (include1 year).

Note1: According to the resolution of the Central China securities Co.,Ltd.,on the Company's issuance of domestic and foreign debt financing instruments and related authorizations adopted by the Company's third extraordinary shareholders' meeting in 2015, on 21 April, 2016, the Company issued the first period of 2016 , subordinated debt with face value of RMB 2.5 billion , debt maturity of 3 years, and a coupon rate of 4.20%; on 25 July, 2017, the Company issued the first subordinated debt of 2017 with a face value of RMB 1.5 billion and debt maturity of 3 years, the coupon rate was 5.15%; on 16 November, 2017, the Company issued the second subordinated bond of 2017 with a face value of RMB 1 billion , maturity of 3 years, and a coupon rate of 5.49%.

Note 2: According to the resolution of the Company's fifth extraordinary shareholders' meeting in 2013, as approved by the China Securities Regulatory Commission's "Approval on the Approval of Bonds Issued by Central China securities Co.,Ltd.," (Zhongjian Permit [2013] No. 1612), the total face value of the Company's approved public offering does not exceed RMB 1.5 billion and the period not exceeding 5 years. On 23 April, 2014, the Company issued RMB1.5 billion of bonds with a maturity of 5 years and a coupon rate of 6.20%. Bonds use simple interest to calculate interest on an annual basis, paying interest once a year and repaying the principal once due.

Note3 :According to the resolution of the Company 's 2015 third interim shareholders' meeting, the Shanghai Stock Exchange "s" Letter on Objection to the Non-Public Issuance of Corporate Bonds of Central China securities Co.,Ltd.," (Shangzheng [2019] No. 132) , the Company can issue less than 5 billion corporate bonds. On 15 April, 2019, the Company issued RM1.5 billion of bonds with maturity of one year and a coupon rate of 3.80%.

Note4: As of 31 December, 2019, the Company's surviving income certificates include Xinyi series income certificates of RMB 30,246,000.00 yuan and Jinyi series income certificates of RMB148,693,000.00, and Zunyi series income certificates of RMB 192,417,000.00 with interest rate between 2.75% to 6.00% in 14-182 days.

Note5: On 31 December, 2019, Short-term financing notes payable include subordinated debt, income certificates which period less than 1year (include1 year).

24. Due to banks and other financial institutions

(1) Details

Item	31 December 2019	31 December 2018
Due to banks	2,361,159,583.32	1,741,103,788.83
Capital from refinancing		500,298,611.11
Total	**2,361,159,583.32**	**2,241,402,399.94**

(2) Residual maturity of capital from refinancing

Item	31 December 2019		31 December 2018	
	Balance	Rate	Balance	Rate
Within 1 month				
1-3months				
3-12months			500,298,611.11	4.30%
Over 1year				
Total			**500,298,611.11**	

25. Financial liabilities at fair value through profit or loss（updated accounting standard）

Item	31 December 2019		
	Fair value		
	Classified into financial liabilities at fair value through profit or loss	Financial assets designated as at fair value through profit or loss	Total
Bonds	714,792,262.30		714,792,262.30
Included in the scope of consolidation and classified as financial liabilities at fair value through profit or loss	399,760,116.86		399,760,116.86
Total	**1,114,552,379.16**		**1,114,552,379.16**

(continued)

Item	31 December 2018		
	Fair value		
	Classified into financial liabilities at fair value through profit or loss	Financial liabilities designated as at fair value through profit or loss	Total
Included in the scope of consolidation and classified as financial liabilities at fair value through profit or loss	380,027,422.26		380,027,422.26
Total	**380,027,422.26**		**380,027,422.26**

In the consolidated financial statements, because the Company is obliged to pay other investors on the maturity date of the structured entity according to the net book value and the relevant terms of the structured entity, the Company classifies the financial liabilities generated by the merged structured entity as financial liabilities at fair value through profit or loss.

26. Financial assets sold under repurchase agreements

(1) By categories

Item	31 December 2019	31 December 2018
Sell-out repo	357,042,328.08	1,834,408,310.93
Pledge sell repo	7,362,059,631.32	6,834,455,717.57
Income right repo for margin trading and short selling	1,001,986,666.67	1,502,926,249.82
Total	**8,721,088,626.07**	**10,171,790,278.32**

(2) By subject categories

Item	31 December 2019	31 December 2018
Bond	7,719,101,959.40	8,668,864,028.50
Financing and margin trading rights	1,001,986,666.67	1,502,926,249.82
Total	**8,721,088,626.07**	**10,171,790,278.32**

(3) Collateral information of financial assets sold for repurchase

Item	Fair value at 31 December 2019 f	Fair value at 31 December 2018
Bond	8,602,600,556.80	9,224,949,925.96
Financing and margin trading rights	1,152,922,141.97	1,737,183,363.48
Total	**9,755,522,698.77**	**10,962,133,289.44**

27. Accounts payable to brokerage clients

(1) Details

Item	31 December 2019	31 December 2018
General brokerage business		
Individual	7,786,190,760.54	5,408,052,497.36
Institution	359,523,577.32	402,252,792.39
Subtotal	**8,145,714,337.86**	**5,810,305,289.75**
Credit business		
Individual	726,216,894.89	699,757,191.66
Institution	23,135,708.59	50,997,504.73
Subtotal	**749,352,603.48**	**750,754,696.39**
Total	**8,895,066,941.34**	**6,561,059,986.14**

28. Employee benefits payable

(1) Details

Item	31 December 2018	Increase	Decrease	31 December 2019
Short-term bonus	306,748,186.03	798,279,862.50	653,305,383.57	451,722,664.96
Post-employment benefit - defined contribution plans	29,424,636.48	90,694,074.48	94,008,631.10	26,110,079.86
Dismissal benefit	1,037,265.34	488,923.60	692,611.93	833,577.01
Total	**337,210,087.85**	**889,462,860.58**	**748,006,626.60**	**478,666,321.83**

(2) Short-term benefits

Item	31 December 2018	Increase	Decrease	31 December 2019
Wages, bonuses, allowances and subsidies,	232,465,644.97	675,587,568.30	541,879,604.40	366,173,608.87
Employee welfare		16,742,382.82	16,742,382.82	
Social insurance contribution	2,087.70	36,312,289.74	36,310,516.47	3,860.97
Including: Medical insurance	1,853.60	30,366,651.96	30,364,878.69	3,626.87
Work-related injury insurance	39.00	539,910.61	539,910.61	39.00
Maternity insurance	195.10	3,331,207.04	3,331,207.04	195.10
Supplementary medical insurance		2,074,520.13	2,074,520.13	
Housing fund		41,438,547.35	41,436,867.35	1,680.00
Labor union expenditure and employee education fund	74,280,453.36	28,199,074.29	16,936,012.53	85,543,515.12
Total	**306,748,186.03**	**798,279,862.50**	**653,305,383.57**	**451,722,664.96**

(3) Post-employment benefit - defined contribution plans

Item	31 December 2018	Increase	Decrease	31 December 2019
Basic pension	6,359.61	61,581,728.58	61,584,185.79	3,902.40
Unemployment insurance	97.60	3,009,825.94	3,009,826.04	97.50
Enterprise annuity payment	29,418,179.27	26,102,519.96	29,414,619.27	26,106,079.96
Total	**29,424,636.48**	**90,694,074.48**	**94,008,631.10**	**26,110,079.86**

(4) The actual annual pre-tax remuneration of directors, supervisors and senior managers of the parent company is as follows

Period	Amount（Expressed in RMB’0000）
2019	1,352.45
2018	1,037.80

29. Taxes payable

Item	31 December 2019	31 December 2018
Business income tax	48,599,122.69	48,947,624.66
Individual income tax	4,573,376.31	3,377,841.40
VAT	3,102,504.44	5,735,442.42
Urban maintenance and construction tax	280,019.95	564,778.02
Educational surcharge	198,177.40	391,615.67
Property tax	107,588.35	390,858.39
Land use charge	6,823.78	59,466.57
Others	118,397.78	95,833.87
Total	**56,986,010.70**	**59,563,461.00**

30. Accounts payable

Item	31 December 2019	31 December 2018
Account payable	183,081,131.54	323,196,318.10
Including:Open-end fund liquidation	112,837,882.61	297,909,460.38
Total	**183,081,131.54**	**323,196,318.10**

31. Contract liabilities

Item	31 December 2019	31 December 2018
Expense and commission advance payment	16,421,359.42	
Others	4,023,493.15	
Total	**20,444,852.57**	

32. Long-term borrowings

Item	31 December 2019	31 December 2018
Credit borrowing	13,202,955.17	
Total	**13,202,955.17**	

Note：As of 31 December, 2019, the credit borrowing was the subsidiary Henan Central China Micro-lending borrowed through Jiaozuo China Travel Bank. The loan period was 3 years, and the annual interest rate of the loan was 20% higher than the pricing base rate on the actual withdrawal date of the borrowing.

33. Bonds payable

Item	Face value	Start Date	Period	Issuing amount	Coupon rate	31 December 2018 book balance	Increase	Decrease	31 December 2019 book balance
17Central China 01 (note1/3)	1,500,000,000.00	26 July 2017	3years	1,500,000,000.00	5.15%	1,533,651,369.86		1,533,651,369.86	
17Central China 02(note1/3)	1,000,000,000.00	17 November 2017	3years	1,000,000,000.00	5.49%	1,006,768,493.15		1,006,768,493.15	
18Central China 01(note1)	1,500,000,000.00	27 April 2018	3years	1,500,000,000.00	5.58%	1,557,099,452.02	83,699,999.86	83,699,999.93	1,557,099,451.95
19Central China C1(note1)	1,000,000,000.00	30 October 2019	3years	1,000,000,000.00	4.90%		1,008,457,534.25		1,008,457,534.25
19Central China 01(note2)	2,000,000,000.00	26 March 2019	3years	2,000,000,000.00	3.90%		2,060,523,389.76	2,140,000.00	2,058,383,389.76
Total	**7,000,000,000.00**			**7,000,000,000.00**		**4,097,519,315.03**	**3,152,680,923.87**	**2,626,259,862.94**	**4,623,940,375.96**

Note1: According to the resolution of the Central China securities Co.,Ltd., on the issuance of domestic and foreign debt financing instruments and related authorizations of the Company by the third interim shareholders' meeting in 2015. On 26 April, 2018, the Company issued the first subordinated debt, with a face value of RMB1.5 billion, the maturity of 3 years, and coupon rate of 5.58%; on 29 October, 2019, the Company issued the first subordinated debt of 2019 with a face value of RMB 1 billion and a bond maturity of 3 years, the coupon rate was 4.90%.

Note2:According to the resolution of the Company's 2015 third interim shareholders' meeting, the Company was approved by the China Securities Regulatory Commission's "the Approval of Central China securities Co.,Ltd., 's Public Issuance of Corporate Bonds to Qualified Investors" (Zhongjian License [2019] 326) , the Company issue corporate bonds with a total face value not exceeding RMB 3 billion to qualified investors. On 25 March, 2019, the company issued RMB 2 billion of bonds with a maturity of 3 years and a coupon rate of 3.90%. The bonds are interest-bearing on an annual basis with simple interest. Interest is paid once a year and the principal is repaid once at maturity. The final interest is paid together with the redemption of the principal.

Note3: On 31 December, 2019,17Central China01 and 17Central China02 remain period less than 1year and are recognized as short-term financing bond payable.

34. Lease liabilities

Item	31 December 2019	31 December 2018
Lease liabilities	177,837,189.74	
Include: less than 1 year	86,390,791.78	
Total	**177,837,189.74**	

The Company 's lease liabilities are buildings. The Company rent buildings to be offices for 1-5years.

35. Others liabilities

(1) Details

Item	31 December 2019	31 December 2018
Others payable	342,539,563.07	105,029,172.71
Investor protection fund	4,110,068.54	12,213,747.43
Futures risk reserve	22,454,322.10	20,447,171.02
Others	24,448,593.83	18,106,825.69
Total	**393,552,547.54**	**155,796,916.85**

(2) Other payables

Item	31 December 2019	31 December 2018
Withholding supervision fees, rent, utilities, etc	11,973,830.85	12,864,719.29
Warehouse receipt quality deposit (note1)	61,884,600.00	
Asset management plan share transfer payable (note2)	89,549,125.00	
Equity transfer payable	111,972,500.00	
Others	67,159,507.22	92,164,453.42
Total	**342,539,563.07**	**105,029,172.71**

Note1: The Company since warehouse receipt quality deposit to set up the book value of commodity inventory is RMB 77,355,750.00.

Note2: As of 31 December, 2019, the asset management plans of Lianmeng No.17 and Zhongjing No.1 asset management Plan by the Company were overdue. Due to contract fraud at the bottom financier, the public security organ has investigated and sealed up related assets. The Company counts the assets corresponding to the asset management plan share held above as 244 million yuan in financial assets at amortized costs , and the remaining RMB 90 million of the asset management plan share transfer payment is included in other payable. The Company based on the recoverable asset value A loss of RMB 49 million was recognized. These losses are non-recurring losses.

(3) Futures risk reserve

The Company 's subsidiary, Central China Futures Co., Ltd. according to the "Provisional Regulations on the Financial Management of Commodity Futures Trading", calculates the futures risk reserve based on 5% of the net income of the futures brokerage business fee income minus the futures exchange fee and pays it to the current profit and loss. When the risk reserve is used to make up for losses due to its own reasons or when the risk loss that is difficult to recover risk losses, the balance of the futures risk reserve is offset.

36. Share capital

Item	Opening balance	Increase/ Decrease					Closing balance
		Issued	Bound issue	Shares transferred from housing fund	Other	subtotal	
Total share capital	3,869,070,700.00						3,869,070,700.00

37. Capital reserve

Item	31 December 2018	Increase	Decrease	31 December 2019
Premium on capital stock	3,731,847,252.71			3,731,847,252.71
Others	24,259,270.82	11,826,827.73	280,695,565.30	-244,609,466.75
Total	**3,756,106,523.53**	**11,826,827.73**	**280,695,565.30**	**3,487,237,785.96**

The changes in other capital reserves were mainly due to the company 's acquisition of minority shareholders' equity, the transfer of subsidiaries and associates. For details of the acquisition of minority shareholders' equity and the transfer of subsidiaries, please refer to Note VIII (IV) and Note VII (II).

38. Other comprehensive income

Item	31 December 2018	2019						31 December 2019
		Current period cumulative before income tax	Less: Income tax	Less: OCI carried forward transferred to profit or loss	Total	Attributable to the parent company after tax	Attributable to minority shareholder after	
OCI to be reclassified subsequently to profit or loss	**28,206,891.34**	**13,229,007.77**	**753,851.34**	**57,558.30**	**12,417,598.13**	**8,336,699.89**	**4,080,898.24**	**36,543,591.23**
Include: the change of the fair value of OCI	3,036,193.87	2,998,769.72	749,692.42		2,249,077.30	2,249,077.30		5,285,271.17
Credit impairment allowance of OCI	195,572.86	16,635.67	4,158.92	57,558.30	-45,081.55	-45,081.55		150,491.31
Other comprehensive income convertible to profit or loss under the equity method		2,251,346.29			2,251,346.29	2,251,346.29		2,251,346.29
Difference by foreign currency	24,975,124.61	7,962,256.09			7,962,256.09	3,881,357.85	4,080,898.24	28,856,482.46
Total	**28,206,891.34**	**13,229,007.77**	**753,851.34**	**57,558.30**	**12,417,598.13**	**8,336,699.89**	**4,080,898.24**	**36,543,591.23**

39. Surplus reserve

Item	**31 December 2018**	**Increase**	**Decrease**	**31 December 2019**
Statutory surplus reserve	611,556,383.49	32,114,559.08		643,670,942.57
Arbitrary surplus reserve	148,356,065.84	16,057,279.55		164,413,345.39
Total	**759,912,449.33**	**48,171,838.63**		**808,084,287.96**

40. General risk reserve

Item	**31 December 2018**	**Increase**	**Decrease**	**31 December 2019**
General risk reserve	692,067,585.87	51,054,194.94		743,121,780.81
Transaction risk reserve	606,802,581.39	32,114,559.08		638,917,140.47
Total	**1,298,870,167.26**	**83,168,754.02**		**1,382,038,921.28**

General risk reserves include the general risk reserves and transaction risk reserves provide by the Company and its subsidiaries. For details, please refer to Note IV (24).

41. Retained earnings

Item	**2019**	**2018**
Retained earnings at the closing of prior year	**238,731,987.53**	**400,017,717.67**
Adjusted		-27,740,338.28
Retained earnings at the beginning of the period	**238,731,987.53**	**372,277,379.39**
Add: Net profit attributable to owners of the parent company	58,222,745.44	65,787,558.62
Less: Appropriation of statutory surplus reserve	32,114,559.08	
Appropriation of arbitrary surplus reserve	16,057,279.55	
Appropriation to general risk reserve	51,054,194.94	25,224,768.98
Appropriation of transaction risk reserve	32,114,559.08	
Distribution of common Stock dividends	77,381,414.00	174,108,181.50
Balance at the end of current period	**88,232,726.32**	**238,731,987.53**

On 27 August, 2019, the tenth meeting of the sixth session of the board of directors of the Company passed the "Central Plains Securities Co., Ltd. profit distribution plan of 2019", basic earnings per share amounted to RMB0.02 (with tax) and total of RMB 77,381,414.00 (with tax) of cash dividends was distributed. The cash dividend is denominated and announced in RMB, paid to shareholders of A funds shares in RMB, and paid to shareholders of H funds shares in HKD. The actual amount of HKD distribution will be calculated based on the average benchmark exchange rate of RMB to HKD announced by the People's Bank of China five working days before the Company 's 2019 first extraordinary shareholders' meeting.

42. Net interest income

Item	**2019**	**2018**
Interest income	**979,725,596.57**	**1,291,897,620.91**
Include: from cash and clearing settlement funds	211,952,556.47	176,973,781.48
interest income from releasing	389,238,284.21	418,921,887.26
interest income from financial assets held under resale agreement	193,981,433.50	509,854,960.57
Include：interest income from agreed repurchase	1,357,301.47	2,223,814.05
interest income from Stock pledge repurchase	90,493,451.12	233,621,723.70
interest income from instruments measured at amortized cost	38,947,751.77	45,357,468.30
interest income from instruments at fair value through other comprehensive income	45,066,651.47	14,744,459.12
interest income from loan	100,239,865.58	123,622,521.09
interest income from entrusted loans	299,053.57	2,399,209.77
Others		23,333.32
interest income from releasing		
Interest expense	**951,227,973.53**	**1,032,164,585.05**
Interest: expense of borrowing	92,392,451.55	75,647,275.16
expense of short-term financing notes	23,261,913.30	31,127,664.56
expense of loans from other financial institutions	69,320,167.80	86,268,982.98
Including: expense of refinancing interest	21,440,277.79	34,213,611.11
expense of financial assets held under resale agreement	316,813,543.22	367,943,992.33
expense of accounts payable to brokerage clients	30,923,572.88	26,823,161.00
expense of bond payable interest	390,376,765.11	439,140,189.39
Including: expense of subordinated debt interest	257,700,161.29	335,947,667.20
Others	28,139,559.67	5,213,319.63
Net interest income	**28,497,623.04**	**259,733,035.86**

43. Net fee and commission income

(1) Details

Item	2019	2018
Securities brokerage services net income	471,791,181.63	375,639,687.48
——Securities brokerage services income	613,891,393.02	486,526,553.40
——Funds received as agent of stock exchange	598,933,438.01	471,294,028.18
Leasing of trading unit seats	594,228.47	5,225,666.31
Sales agent of financial products	13,535,896.80	8,887,856.24
——Securities brokerage services expense	142,100,211.39	110,886,865.92
——Funds received as agent of stock exchange	141,943,401.39	110,600,898.24
Sales agent of financial products	35,293.17	2,254.25
Futures brokerage business net income	45,997,286.10	57,912,988.82
——Futures brokerage business income	81,472,414.37	110,237,172.54
——Futures brokerage business expense	35,475,128.27	52,324,183.72
Investment bank business net income	246,803,568.01	116,558,366.14
——Investment bank business income	253,523,790.14	127,332,525.77
——Securities underwriting business	124,461,462.98	37,675,944.35
Sponsor business of securities	19,273,584.90	10,085,592.04
Financial advisory business	109,788,742.26	79,570,989.38
——Investment bank business expensens	6,720,222.13	10,774,159.63
——Securities underwriting business	4,402,514.95	6,177,045.18
Sponsor business of securities	1,217,735.85	24,000.00
Financial advisory business	1,099,971.33	4,573,114.45
Asset management business net income	65,064,514.83	99,571,561.31
——Asset management business income	65,246,188.37	100,125,607.36
——Asset management business expense	181,673.54	554,046.05
Fund management business net income	17,737,008.90	3,620,637.58
——Fund management business income	17,737,008.90	4,092,335.80
——Fund management business expense		471,698.22
Investment consultation business net income	78,187,327.07	52,366,062.94
——Investment consultation business income	78,740,546.79	52,366,062.94
——Investment consultation business expense	553,219.72	
Net other fee and commission net income	35,547,551.07	29,688,022.02
——Other fee and commission income	35,547,551.07	29,713,365.88
——Other fee and commission expense		25,343.86
Total	**961,128,437.61**	**735,357,326.29**
Include: total fee and commission income	**1,146,158,892.66**	**910,393,623.69**
total fee and commission expense	**185,030,455.05**	**175,036,297.40**

(2) Financial advisory business net income

Item	2019	2018
Mergers and acquisitions financial advisory business net income-Domestic listed company	34,759,695.25	4,833,018.87
Mergers and acquisitions financial advisory business net income-others	2,148,243.42	1,701,547.16
others	71,780,832.26	68,463,308.90
Total	**108,688,770.93**	**74,997,874.93**

(3) Agency sales of financial assets income

Item	2019		2018	
	Total sales	Total income	Total sales	Total income
Funds	2,479,659,165.48	12,605,351.24	1,746,131,020.18	8,287,661.89
Others	240,483,226.64	930,545.56	4,206,273,734.32	600,194.35
Total	**2,720,142,392.12**	**13,535,896.80**	**5,952,404,754.50**	**8,887,856.24**

44. Investment income

(1) By categories

Item	2019	2018
Long-term equity investment income calculated by equity method	41,652,088.18	18,017,906.79
Depose Long-term equity investment income	54,248,623.19	2,076,316.63
Financial instrument investment income	834,010,900.11	456,369,366.56
Include: Proceeds generated during holding period	648,157,866.18	566,764,318.19
Include: Financial assets held for trading	676,471,744.55	569,389,222.31
Financial liabilities held for trading	-28,313,878.37	-2,624,904.12
Depose financial instrument income	185,853,033.93	-110,394,951.63
Include： Financial assets held for trading	174,590,020.29	-95,544,958.33
Available -for -sale financial assets	11,813,248.18	
Derivative financial instruments	-17,351,199.25	-14,973,942.44
Financial liabilities measured at their fair values through profit or loss	16,800,964.71	123,949.14
Total	**929,911,611.48**	**476,463,589.98**

(2) Detailed statement of investment income of financial instruments measured at their fair values through profit or loss

Financial instruments measured at their fair values through profit or loss		**2019**
Classified into financial assets measured at their fair values through profit or loss	Holding period income	676,471,744.55
	Deposal income	174,590,020.29
Designated as financial assets measured at their fair values through profit or loss	Holding period income	
	Deposal income	
Classified into financial liabilities measured at their fair values through profit or loss	Holding period income	-28,313,878.37
	Deposal income	16,800,964.71
Designated as financial liabilities measured at their fair values through profit or loss	Holding period income	
	Deposal income	

45. Gains on changes in fair value

Item	**2019**	**2018**
Financial assets measured at their fair values through profit or loss	-149,122,498.35	-114,494,855.84
Include: Designated as financial assets measured at their fair values through profit or loss		
Financial liabilities measured at their fair values through profit or loss	3,117,937.41	
Include: Designated as financial liabilities measured at their fair values through profit or loss		
Derivative financial instruments	-19,213,351.04	8,080,898.78
Total	**-165,217,911.98**	**-106,413,957.06**

46. Other operating income

Item	**2019**	**2018**
Rental income	3,050,820.99	3,269,816.03
Commodity sales income	580,702,845.64	235,218,486.65
Others	5,001,570.09	44,731,798.60
Total	**588,755,236.72**	**283,220,101.28**

47. Gains from assets disposal

Item	**2019**	**2018**
Non-current asset disposal income	22,972,242.66	383.74
Include: fixed asset	22,972,242.66	383.74
Total	**22,972,242.66**	**383.74**

48. Other income

Item	**2019**	**2018**
Government grants	8,890,812.20	3,833,367.53

Item	**2019**	**2018**
Government grants	8,890,812.20	3,833,367.53
Total	**8,890,812.20**	**3,833,367.53**

49. Taxes and surcharges

Item	**2019**	**2018**
Urban maintenances and construction taxe	6,957,110.71	6,005,586.86
Educational surcharges	4,840,161.99	4,233,542.03
Others	2,623,424.48	3,154,616.57
Total	**14,420,697.18**	**13,393,745.46**

50. Business and administrative expenses

Item	**2019**	**2018**
Employee benefits	889,462,860.58	635,931,007.12
Right-of-use asset depreciation	57,294,120.55	
Depreciation of fixed assets expense	34,672,954.29	34,371,197.98
Electronic equipment operation fee	33,181,272.42	29,188,540.02
Rental expense	30,066,689.53	68,468,200.44
Consulting fees	27,870,736.32	21,606,155.52
Amortization of intangible assets	27,566,690.33	26,509,342.15
Traveling expenses	20,247,376.99	16,581,037.29
Mailing expenses	17,266,991.34	17,073,116.91
Business entertainment	13,820,260.79	12,843,377.07
Securities investors protection funds	9,151,165.23	26,884,842.29
Others	143,138,898.26	113,098,845.82
Total	**1,303,740,016.63**	**1,002,555,662.61**

51. Expected credit losses

Item	**2019**	**2018**
Provision for Bad debts	3,116,185.10	5,398,841.54
Provision for financial instruments measured at amortised cost	121,925,646.33	15,466,970.70
Provision for instruments at fair value through other comprehensive income	16,635.67	131,344.71
Provision for impairment for credit loan	39,353,036.58	31,205,291.39
Provision for impairment for credit entrusted loans	49,029.43	11,145,417.91
Provision for impairment for releasing	5,408,220.13	14,518,429.05
Provision for impairment for financial assets held under resale agreement interest income	177,420,473.81	209,817,013.80

Item	2019	2018
Others	2,408,888.38	
Total	**349,698,115.43**	**287,683,309.10**

52. Other assets impairment losses

Item	2019	2018
Impairment of inventory	9,760,642.03	3,178,234.86
Impairment of long-term equity investments		28,714,472.06
Total	**9,760,642.03**	**31,892,706.92**

53. Other operating costs

Item	2019	2018
Investment equity depreciation	815,549.69	885,228.40
Cost of good sold	579,988,114.62	232,217,859.42
Others	368,604.19	180,948.61
Total	**581,172,268.50**	**233,284,036.43**

54. Non-operating income

(1) Details

Item	2019	2018	Amount included in non-recurring profit or loss
Gains on non-current assets disposal	31,713.40	69,796.55	31,713.40
Government grants	8,824,864.58	22,871,000.00	8,824,864.62
Others	551,446.40	198,813.64	551,446.36
Total	**9,408,024.38**	**23,139,610.19**	**9,408,024.38**

(2) Details of government grants

Item	2019	Source and basis	Related to assets or income
Provincial financial industry development special award	3,600,000.00	Notice of the Henan Provincial Department of Finance and Henan Provincial Local Financial Supervision Administration on appropriating the 2018 financial industry development special award supplementary funds (Yu Caijin [2019] No. 15)	Related to income
Reward for promotion of financial business	500,000.00	Minutes of the meeting of Tiangyin Government (2016) No.12	Related to income
Reward for promotion of financial business	400,000.00	Minutes of the meeting of Pu yang Government ([2016] No. 1)	Related to income
Reward for comprehensively strengthen regional equity trading market	400,000.00	Central China Equity Exchange Co., Ltd. and Yu cheng People's Government	Related to income
Grant of accelerating the construction of financial	3,000,000.00	Notice of the Jinan City on Issuing Several Support Policies for Jinan to accelerate the development of Modern Financial	Related to

Item	2019	Source and basis	Related to assets or income
business		Industry (Jizhengfa [2018] No. 31) by Jinan People's Government	income
Grant of accelerating the construction of Nanjing (Hexi) financial area	30,000.00	Notice on the declaration of the eleventh batch of Hexi financial industry development special fund incentive subsidies (Ning jin Office Development [2018] No. 10)	Related to income
Residency grant for Zheng dong new district	150,000.00	Notice on Printing and Distributing Measures for Supporting the Development of Private Equity Funds in Zhengdong New District" (Zheng Dongwen [2018] No. 129)	Related to income
Reward for investing Gao xin new division	80,000.00	Decision of the Zhengzhou High-tech Industrial Development Zone Administrative Committee on the recognition of the outstanding financial institutions and enterprises of Zhengzhou High-tech Zone in 2018.(Zheng Kaiguanwen [2019] No. 59)	Related to income
Kai Feng advanced unit and advanced individual rewards	1,664.58	Decision of the advanced unit and advanced individual rewards of 2018 Industrial Zone's promotion of Investment and technology innovation key Project by Kaifeng Municipal Demonstration Zone Management Committee (Bian shi fan wen [2019] No.6)	Related to asset
Reward for set up new Financial Institutions	500,000.00	Opinions of Luolong District People's Government on Promoting the Development of Financial Industry (Luo Longzheng [2017] No. 5)	Related to income
Luoyang City Capital Market Special Incentive Fund	163,200.00	"Implementation Opinions on Further Utilizing and Developing Capital Markets to Support Local Economic Construction" (Luozheng [2016] No. 59)	Related to income
Total	**8,824,864.58**		

55. Non-operating expenditures

Item	2019	2018	Amount included in non-recurring profit or loss
Losses on non-current assets disposal	507,934.53	805,064.63	507,934.53
Losses on donation and sponsorship	6,067,504.00	34,446.70	6,067,504.00
Others	450,224.51	2,034,918.94	450,224.51
Total	**7,025,663.04**	**2,874,430.27**	**7,025,663.04**

56. Income tax expenses

(1) Income tax expense

Item	2019	2018
Current period income tax expenses	130,796,090.05	98,734,317.37
Deferred income tax expenses	-89,761,345.65	-93,474,537.27
Total	**41,034,744.40**	**5,259,780.10**

(2) Reconciliation of accounting profit to income tax expense

Item	2019	2018
Profit before income tax	116,117,612.82	101,117,281.08
Tax at the statutory/applicable tax rate	29,029,403.21	25,279,320.27
Effect of different tax rates applicable to subsidiaries	29,271,593.76	814,193.35

Item	2019	2018
Effect of prior income tax reconciliation	1,102,140.93	7,223,792.67
Effect of non-taxable incomes	-38,861,477.11	-31,994,181.52
Effect of non-deductible costs, expenses and losses	5,084,391.71	4,332,189.80
Effect of utilization of deductible losses not previously recognized		-395,534.47
Others	15,408,691.90	
Income tax expenses	**41,034,744.40**	**5,259,780.10**

57. Entrusted client asset management business

The asset management business managed by the Company is divided into collective asset management business, customer-oriented asset management business and customer-specific asset management business.

(1) Collective asset management business

1) Assets details

Item	2019	2018
Entrusted management funds	785,822,505.89	810,795,481.77
Clearing settlement funds	1,723,235.90	2,292,979.84
Refundable deposits	8,954,793.32	36,898.54
Entrusted business receivables	43,500,062.36	53,312,306.94
Entrusted investment	4,385,008,172.99	4,291,902,978.80
Include: Investment cost	4,384,823,106.56	4,285,925,593.79
Floating profit and loss	185,066.43	5,977,385.01
Total	**5,225,008,770.46**	**5,158,340,645.89**

2) Liabilities details

Item	31 December 2019	31 December 2018
Entrusted management funds	5,210,615,520.98	5,118,562,250.96
Entrusted business payables	14,393,249.48	39,778,394.93
Total	**5,225,008,770.46**	**5,158,340,645.89**

(2) Customer-oriented asset management business

1) Assets details

Item	31 December 2019	31 December 2019
Entrusted management funds	71,875,255.68	60,821,452.29
Entrusted business receivables	164,688,229.94	9,943,721.36
Refundable deposits	2,182,885.02	
Entrusted investment	4,403,819,951.54	5,157,730,537.96

Item	31 December 2019	31 December 2019
Include: Investment cost	4,403,461,942.60	5,158,715,447.30
Floating profit and loss	358,008.94	-984,909.34
Total	**4,642,566,322.18**	**5,228,495,711.61**

2) Liabilities details

Item	31 December 2019	31 December 2018
Entrusted management funds	4,354,004,722.30	5,221,181,427.31
Entrusted business payables	288,561,599.88	7,314,284.30
Total	**4,642,566,322.18**	**5,228,495,711.61**

(3) Customer-specific asset management business.

1) Assets details

Item	31 December 2019	31 December 2018
Entrusted management fund deposit	130,606,327.77	113,650,050.12
Entrusted business receivables	370,839.98	690,073.98
Entrusted investment	600,317,939.96	836,482,287.67
Include: Investment cost	600,317,939.96	836,482,287.67
Total	**731,295,107.71**	**950,822,411.77**

2)Liabilities details

Item	31 December 2019	31 December 2018
Entrusted management funds	718,502,484.57	949,490,057.30
Entrusted business payables	12,792,623.14	1,332,354.47
Total	**731,295,107.71**	**950,822,411.77**

58. Earnings per share

Item	2019
Net profit attributable to owners of the parent company	58,222,745.44
Non-recurring net profit and loss attributable to owners of the parent company	39,064,768.02
Net profit attributable to shareholders of parent company after deducting non-recurring gains and losses	19,157,977.42
Weighted average number of ordinary shares outstanding	3,869,070,700.00
Basic earnings per share	0.02
Basic earnings per share after deducting non-recurring gains and losses	0.005

As of 31 December, 2019 and 31 December, 2018, the Company has no potential diluted ordinary shares, so diluted earnings per share are the same as basic earnings per share.

59. Items of the cash flow statement

(1) Other cash receipts/payments related to operating/financing activities

1) Other cash receipts related to operating activities

Item	2019	2018
Fund liquidation		119,966,594.84
Government grant	17,715,676.82	26,704,367.53
Other business income	588,755,236.72	283,220,101.28
Loan	114,811,999.50	
Entrusted loans	737,827.56	
Other	53,399,982.31	65,821,720.79
Total	**775,420,722.91**	**495,712,784.44**

2) Other cash payments related to operating activities

Item	2019	2018
Fund liquidation	185,071,577.77	
Increase in deposits	112,458,376.68	21,885,131.16
Business and management fees paid	280,761,817.68	293,505,099.86
Other business cost	581,172,268.50	232,398,808.03
Others	54,856,299.92	72,006,868.50
Total	**1,214,320,340.55**	**619,795,907.55**

3) Other cash payments related to financing activities

Item	2019	2018
Cash paid for the acquisition of minority shareholders' equity	534,697,894.20	
Cash paid for repayment of lease liabilities	50,207,973.56	
Cash paid to repurchase H shares		133,397,683.54
Total	**584,905,867.76**	**133,397,683.54**

(2) Supplement information to the cash flow statement

Item	2019	2018
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	75,082,868.42	95,857,500.98
Add：Impairment allowance of assets	359,458,757.46	319,576,016.02
Depreciation of investment Equity and fixed assets	35,488,504.00	35,256,426.38
Right-of-use asset depreciation	57,294,120.55	
Amortization amount of intangible assets	27,566,690.33	26,509,342.15
Amortization of long-term deferred expenses	13,166,023.49	12,239,015.50
Fixed assets, intangible assets and other long-term assets disposal (or	-22,496,021.53	734,884.34

Item	2019	2018
revenue: "-")		
Changes in fair value gains and losses (or revenue: "-")	165,217,911.98	106,413,957.06
Interest expense	514,502,333.94	545,915,129.11
Exchange losses (or revenue: "-")	2,411,060.48	2,532,285.94
Investment losses (or revenue: "-")	-141,520,340.07	-80,196,150.84
Decrease in deferred income tax assets(or increase:"-")	-94,558,474.14	-90,032,299.32
Increase in deferred income tax liabilities(or decrease:"-")	4,797,128.49	-7,950,543.38
Decrease of operating receivables (or increase:"-")	2,440,370,122.42	-945,696,355.86
Increase of operating receivables (or decrease "-")	51,559,284.86	1,570,361,520.68
Net cash flow from operating activities	3,488,339,970.68	1,591,520,728.76
2. Significant investing and financing activities not related to cash receipts and payments:		
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Fixed assets rented in under finance leases		
3. Net increase/(decrease) in cash and cash equivalents		
Closing balance of cash	11,805,475,726.56	9,602,115,554.08
Less：Opening balance of cash	9,602,115,554.08	10,987,311,032.29
Add: Closing balance of cash equivalent		
Less:Opening balance of cash equivalent		
Net increase of cash equivalent and cash	2,203,360,172.48	-1,385,195,478.21

(3) Cash and cash equivalents

Item	2019	2018
Cash	11,805,475,726.56	9,602,115,554.08
Include: Cash on hand	249,129.05	266,231.90
Deposit in bank on demand for payment	9,278,007,670.48	7,261,496,589.39
Other cash	9,802,121.58	
Clearing settlement funds	2,517,416,805.45	2,340,352,732.79
Cash equivalent		
Include: bond investment maturing within three months		
Cash and cash equivalent at the end of the period	11,805,475,726.56	9,602,115,554.08

60. Assets with title or use right restrictions

Item	31 December 2019	Reasons
Cash and bank balances	40,000,000.00	Pledge for bank loan
Financial asset at fair value through profit or loss	6,276,173,261.05	Pledge for repo financing
	952,842,604.73	Pledge used for borrowing bonds
	16,940,000.00	A block transaction restricted to sales
	5,410,131.09	Securities on loan
	51,926,438.36	Pledge for bank loan

Item	31 December 2019	Reasons
Financial instruments at fair value through other comprehensive incomes	105,446,965.57	Pledge used for borrowing bonds
	304,217,724.98	Pledge for repo financing
Margin accounts receivable	1,152,922,141.97	Pledge for repo financing
Inventory	77,355,750.00	Pledge for bank loan

61. Overseas business entities

The Company's 2019 annual consolidated statement includes overseas subsidiaries: CCIFHC、Central China International Security,Central China International Futures,Central China International Investment,Central China International Financial Group,Central China International Holding, and Central China International Financing. The asset and liability items in its foreign currency balance sheet are translated at the spot exchange rate on the balance sheet date (HKD1 : RMB0.8958); Except for "Retained earnings", all the owner's equity items are converted at the spot exchange rate when the business takes place.The income and expense items in the income statement are converted using the approximate exchange rate of the spot exchange rate on the date of transaction (the average exchange rate for the current year is HKD1: RMB 0.8805).The translation balance of foreign currency statements resulting from the above translation shall be shown separately under the item of owners' equity. Foreign currency cash flows are translated using the approximate exchange rate of the spot exchange rate on the date of cash flow occurrence.The impact of exchange rate fluctuations on cash is shown separately in the cash flow statement.

VII. Changes in the scope of consolidated financial statement

1. Consolidation of structured entities

The Company into the scope of the merger of structured subject is mainly the Company as the manager and investment of the structured subject. The Company enjoys a significant variable return for participating in the activities of such structured entities and is able to use its power over such structured entities to influence the amount of return. 9 products were included in the consolidation of structured entities of the Company's financial statements at 31 December, 2019 (at 31 December, 2018: included 6 products).

2. The subsidiaries included in consolidation financial statement

In 2019, the Company purchased 52% of the equity held by non-controlling shareholders of Central China International Finance Group Co., Ltd. for RMB 746,717,961.60, and sold the equity of Central China International Asset Management Co., Ltd.and Central China International Finance Co.,Ltd. Which wholly owned by Central China Financial Holding Co., Ltd. and Central China International

Finance Co., Ltd. for RMB 36,010,356.00. And transfer the equity transfer is completed, the Company of zhongzhou international financial stake from 48% to 100%, and no longer hold zhongzhou financial holding co., LTD., a wholly owned subsidiary and its zhongzhou international asset management co., LTD., and the equity of zhongzhou international finance co., LTD., zhongzhou financial holding co., LTD., a wholly owned subsidiary and its zhongzhou international asset management co., LTD and zhongzhou international finance co., LTD., is no longer included in the consolidation range of the Company.

3. Subsidiary written off this year

Central China Cornerstone Capital Management Co., Ltd. and Central China Consulting Services (Shenzhen) Co., Ltd. were written off in 2019 and no longer included in consolidation financial statement.

VIII. Interests in other entities

1. Interests in significant subsidiaries

The name of the Company	Type of company	Registered	Nature of business	The registered capital	Scope of business	The investment amount on 31 December, 2019	Shareholding ratio (%)		Whether included in consolidated statements
							Direct	Indirect	
A subsidiary acquired through a merger of an enterprise not under the same control									
Central China Futures Co., Ltd.	Company limited by shares	Zhengzhou	Futures brokerages in Mainland China	RMB 330million	Commodity futures brokerage, financial futures brokerage, futures investment consulting, asset management	RMB 188 million	51.36		Yes
Central China International Financing Co. Ltd.	Limited liability company	Hong Kong	Investment bank	HKD10 million	Sponsor underwriting, financial advisers	HKD24 million		100.00	Yes
A subsidiary acquired by means of establishment or investment									
Zhongding Kaiyuan Venture Capital Management Co., Ltd.(note)	Limited liability company	Beijing	Equity investment	RMB 800 million	Using its own funds or setting up direct investment funds to make equity investment or debt investment in enterprises or to invest in other investment funds related to equity investment or debt investment;To provide clients with equity investment, debt investment related financial advisory services	RMB 701 million	100.00		Yes
Henan Zhongzheng Kaiyuan Venture Capital	Limited liability company	Luoyang	Equity investment	RMB 100 million	Manage or be entrusted to manage non-securities equity investments and related advisory services	RMB 60 million		60.00	Yes
Yuxin Investment Managemwnt	Limited liability	Shanghai	Investment manageme	RMB 100 million	Carry out risk management and other related businesses	RMB 100 million		51.36	Yes

The name of the Company	Type of company	Registered	Nature of business	The registered capital	Scope of business	The investment amount on 31 December, 2019	Shareholding ratio (%)		Whether included in consolidated statements
							Direct	Indirect	
(shanghai)Co.Ltd	company		nt						
Central China Equity Exchange Co., Ltd. (Note)	Company limited by shares	Zhengzhou	Regional equity market	RMB 350 million	To provide enterprises with such services as registration, custody, listing, transfer and financing of equity, creditor's rights and other equity assets;Investment and asset management;Financial consultant, corporate presentation, corporate presentation, training and consulting services	RMB 122.5 million	35.00		Yes
Central China Blue Ocean Investment Management Company Limited (Note)	Limited liability company	Xuchang	Alternative investment	RMB 3 billion	Investment in financial products, securities and equity with its own funds	RMB 22.56 million	100.00		Yes
Henan Central China Micro-lending Company Limited	Limited liability company	Kaifeng	Microfinance	RMB 1 billion	In the administrative area of Henan Province: to handle various small loans;To provide consulting services for the development, management and finance of small and medium-sized enterprises;Investment of its own funds in accordance with the regulations	RMB 650 million		65.00	Yes
Central China International Financial Holdings Company Limited	Limited liability company	Hong Kong	Investment holding	HKD1 billion	Conduct securities business through its subsidiaries	HKD1 billion	100.00		Yes
Central China International Holdings Co., Ltd.	Limited liability company	British virgin islands	Holdings inc.	50000 dollars	Holdings inc.	50000 dollars		100.00	Yes
Central China International Financial Group Limited (Note)	Company limited by shares	The cayman islands	Investment holding	HKD1 billion	Holdings inc.	HKD1 billion		100.00	Yes
Central China International	Limited	Hong Kong	Securities	HKD6 hundred	Securities brokerage, margin financing,	HKD600		100.00	Yes

The name of the Company	Type of company	Registered	Nature of business	The registered capital	Scope of business	The investment amount on 31 December, 2019	Shareholding ratio (%)		Whether included in consolidated statements
							Direct	Indirect	
Securities Co. LTD	liability company		brokerage	million	proprietary bonds	million			
Central China International Investment Co. LTD	Limited liability company	Hong Kong	The securities investment	HKD10 million	Proprietary investment	HKD10 million		100.00	Yes
Central China International Futures Co. LTD	Limited liability company	Hong Kong	Futures brokerages in Mainland China	HKD20 million	Futures brokers and advise on futures contracts	HKD20 million		100.00	Yes

(Continued)

The name of the structured principal	Total share/registered capital	Share held by the Company as of 31 December, 2019	Direct/indirect investment
Yanhuang 2 collective asset management schemes	19,968,481.32	14.52%	Direct
Huimin 1 collective asset management schemes	69,098,285.42	49.41%	Direct
Lianmeng 10 collective asset management schemes	15,010,000.00	99.93%	Indirect
Lianmeng 17 collective asset management schemes	59,840,000.00	100.00%	Indirect
Zhongjing 1 collective asset management schemes	181,650,000.00	100.00%	Indirect
Henan zhongyuan science and innovation venture capital fund (limited partnership)	500,000,000.00	50.00%	Indirect
Henan zhongzheng kaiyuan venture capital	110,000,000.00	15.00%	Indirect

The name of the structured principal	Total share/registered capital	Share held by the Company as of 31 December, 2019	Direct/indirect investment
fund (limited partnership)			
Henan zhongzheng kaiyuan yucai agricultural venture capital fund (limited partnership)	100,000,000.00	20.00%	Indirect
Anyang purun high-tech industry investment fund (limited partnership)	100,000,000.00	13.00%	Indirect

Note 1:Central China Equity Exchange Co., Ltd. was established in 2015. The Company has signed a consensus action agreement with three other investors, through which the Company can control 51% of the equity of Central China Equity Exchange Co., Ltd

Note 2: On 24 December, 2019, the paid-up capital of subsidiary Zhongding Kaiyuan Venture Capital Management Co., Ltd. was changed to RMB 680 million.

Note 3: On 24 December, 2019, the paid-in capital of subsidiary Central China Blue Ocean Investment Management Company Limited, was changed to 2.256 billion yuan.

Note 4: In 2019, the Company purchased 52% of the equity held by non-controlling shareholders of Central China International Finance Group Co., Ltd. for RMB 746,717,961.60, and sold the equity of Central China International Asset Management Co., Ltd. and Central China International Finance Co.,Ltd.wholly owned by Central China Financial Holding Co., Ltd.and Central China International Finance Co., Ltd. for RMB 36,010,356.00.

2. Significant non-wholly owned subsidiaries

Name of subsidiary	Minority shareholders' shareholding ratio	Profit and loss of minority interests in 2019	Dividends distributed to minority shareholders in 2019	Minority interests at 31 December 2019
Central China Futures Co., Ltd.	48.64%	7,498,802.87	6,099,832.20	204,990,298.05
Central China Equity Exchange Co., Ltd.	65.00%	6,292,876.56	8,507,180.00	215,679,881.95

3. Key financial information of significant non-wholly owned subsidiaries

Name of subsidiary	**31 December 2019**		**2019**			
	Total Asset	**Total liabilities**	**Operating revenue**	**Net profit**	**Total comprehensive income**	**Net cash flows from operating activities**
Central China Futures Co., Ltd.	1,447,223,513.42	1,035,943,516.06	685,695,320.80	15,415,995.86	15,415,995.86	48,356,079.70
Central China Equity Exchange Co., Ltd.	364,937,125.10	29,420,787.05	38,496,121.12	9,681,348.56	9,681,348.56	-7,515,515.09

4. The situation in which the owner's share of equity in a subsidiary changes and the subsidiary remains in control

1) Change in the owner's equity share of a subsidiary

In 2019, as the controlling shareholder of Central China International Financial Group Co., LTD., the Company acquired 52% of the equity held by non-control shareholders, increasing the shareholding ratio from 48% to 100%.

2) The effect of changes in owners' equity shares in subsidiaries on equity

Item	Central China International Financial Group Co., LTD.,
Acquisition consideration - cash	746,717,961.60
Less: the net assets of the subsidiary in proportion to the equity acquired	484,576,566.47
The difference	262,141,395.13
Include: adjust capital reserve	262,141,395.13

5. Unconsolidated structured entities

Unconsolidated structured entities of the Company mainly include collective, targeted and special asset management schemes, and limited partnership.

The total assets of unconsolidated collective, targeted and special asset management schemes and limited partnership managed by the Company amounted to RMB 4,913.23 million ,RMB 4,642.56 million, RMB 731.30 million, and RMB1,125.72 million as at 31 December, 2019 respectively.

As at 31 December, 2019 and 31 December, 2018, the maximum exposure of relevant balance sheet items of the Company arising from these unconsolidated structured entities, such as financial asset at fair value through profit or loss, financial assets at amortized costs, account receivable management fees and commissions included in receivables, were set out as below:

Item	**31 December 2019**	**31 December 2018**
Financial assets at fair value through profit or loss	1,178,746,268.72	2,488,572,652.29
Financial assets at amortized costs and receivables	668,788,140.85	700,134,830.82
Total	**1,847,534,409.57**	**3,188,707,483.21**

IX. Related parities and related party transactions

1.Related parties

(1) Controlling shareholder and the ultimate controller

1) Controlling shareholder and the ultimate controller

As of 31 December, 2019, Henan Investment Group Co., LTD. (hereinafter referred to as Henan Investment Group) holds 21.271% of the Company's voting shares, making it the controlling shareholder of the Company. The basic information of Henan investment group is as follows:

The controlling shareholder	The enterprise type	registered	Nature of business	Legal representative	Unified social credit code
Henan Investment Group	State-owned enterprises	Zhengzhou	Investment management	Xinyong Liu	914100001699542485

2) The registered capital of the controlling shareholder and its changes

The controlling shareholder	31 December 2018	Increase	Decrease	31 December 2019
Henan Investment Group	12,000,000,000.00			12,000,000,000.00

3)The shares held by the controlling shareholder and their changes

The controlling shareholder	Shareholding amount (ten thousand yuan)		Shareholding ratio (%)		Voting rights ratio (%)	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Henan Investment Group	82,298.38	82,298.38	21.271	21.271	21.271	21.271

(2)The subsidiary

Please refer to VIII.1 “1. Interests in subsidiaries" in this note for details of the situation of the subsidiary.

(3)The associate Company

The conditions of associated enterprises having related transactions with the Company in the current year are as follows:

Name	Relationship
Henan Longfengshan Agriculture and Animal HusbandryCo.Ltd.	The associate invested by the subsidiary of the Company
Henan Dahe Caicube Media Holding Co. Ltd	The associate invested by the subsidiary of the Company
Luoyang Jianlong Weina New Material Co.Ltd	The associate invested by the subsidiary of the Company
Luoyang Desheng Biotechnology Co. Ltd	The associate invested by the subsidiary of the Company
Henan Toushi Culture Communication Co. Ltd	The associate invested by the subsidiary of the Company

(4)Main related parties in the non-control relationship

Name	Relationship	Unified social credit code/organization code
Zhongyuan Trust Co., Ltd.	Under the control of the same controlling shareholder and ultimate controller	91410000169953018F
Henan Asset Management Co., Ltd.	Under the control of the same controlling shareholder and ultimate controller	91410000MA448PJU6H
Henan Tiandi Hotel Co. LTD	Under the control of the same controlling shareholder and ultimate controller	91410100594892586U
Zhumadian Baiyun Paper Industry Co. LTD	Under the control of the same controlling shareholder and ultimate controllerl	914117007191010483
Bohai Industrial Investment Fund Management Co., Ltd.	The shareholder holding more than 5 %	911200007178678241

2. Related party transactions

1)Provide commission income generated from securities agency services

Name of related party	2019	2018
Bohai Industrial Investment Fund Management Co., Ltd.	124,803.44	
Henan Investment Group and the enterprises it controls	20,724.87	75,464.48
The Company and Henan Investment Group directors, supervisors, senior managers and their close relationship with family members	41,505.06	41,206.86

2) Purchase of Trust Products

Name of related party	Related transaction content	Purchase trust balance	
		31 December 2019	31 December 2018
Zhongyuan Trust Co., Ltd.	Purchase trust of products issued by Zhongyuan Trust Co., Ltd.	236,537,790.26	443,000,000.00

3) Loans to related parties

Name of related party	31 December 2019/2019		31 December 2018/2018	
	Loan balance	Interest income	Loan balance	Interest income
Henan Longfengshan Agriculture and Animal Husbandry Co., Ltd.	45,000,000.00	5,018,772.40	45,000,000.00	5,420,555.58

4) Accounts receivable from related parties

Name of related party	Subject	Trading content	31 December 2019	31 December 2018
Henan Investment Group	Accounts receivable	Asset management business management fees and performance compensation	287,809.94	
Zhongyuan Trust Co., Ltd.	Accounts receivable	Asset management business management fees and performance compensation		1,451,762.84

5) Other related transactions

Name	Related transaction content	2019	2018
Luoyang Jianlong Weina New Material Co.,Ltd.	Underwriting income	13,284,101.89	
Zhongyuan Trust Co., Ltd.	Management fees and performance rewards for asset management business	1,821,063.85	7,302,037.15
Henan Investment Group	Underwriting income, financial advisory fee income, asset management business management fees and performance remuneration income	864,797.58	
Henan Asset Management Co., Ltd.	Underwriting income	437,735.85	
Henan Dahe Caicube Media Holding Co.,Ltd.	Publicity expenditure	545,754.70	1,250,000.00
Henan Tiandi Hotel Co.,Ltd.	Expenses such as meals and accommodation	223,441.46	97,201.00
Henan Toushi Culture Communication Co.,Ltd.	Publicity expenditure	194,174.76	
Luoyang Desheng Biotechnology Co., Ltd.	Supervisory fee income	141,509.43	150,000.00
Zhumadian Baiyun Paper Industry Co., Ltd	Revenue from financial advisory fees	37,735.85	
Other related parties	Others		4,049.97

6) Counterguarantee provided to the subsidiary

As of 31 December, 2019, the Company has provided Zhengzhou branch of China merchants bank co. Ltd for CCIFHC with a total amount of HKD 470,000,000.00 (RMB 421,016,600.00) for Central China International Financial Holding Co., Ltd., with a period of no more than 12 months.

7) Remuneration of key management personnel

During the reporting period, the salary data of key managers of the Company are shown in Note VI. 28

X. Risk management of financial instruments

1. Overview

The Company's risk management goal is to adhere to the risk management philosophy of matching capital, risk and return, in order to take appropriate risks, to achieve the optimal balance of business scale, profitability and risk tolerance, and to bring shareholders sustained and stable profit returns.The risk management strategy of the Company aims to identify and evaluate various risks faced by the Company, set appropriate risk bearing level, timely and reliably measure and monitor risks, and ensure that risks are controlled within the bearable range.The main risks that the Company exposed to include credit risk, market risk, liquidity risk, operational risk and compliance risk.The Company has adopted risk management policies and procedures to identify and evaluate these risks, and established appropriate risk indicators, risk limit levels, risk policies and internal control procedures, and continuously monitored and managed risks through information systems.

The framework of risk management framework is structured into four levels consisting of (i) Board and Supervisory Committee; (ii) Risk Control Committee, Audit Committee and Managers; (iii) Compliance Management Department, Risk Management Department and Internal Audit Department; and (iv) Business, branch outlets and subsidiaries.

Level 1：Board and Supervisory Committee

The Board is at the highest level of the Company’s risk control framework and has the ultimate responsibility for establishing a compliant and effective risk control environment. The Board is responsible for developing the Company’s overall risk control objectives, risk control policies and internal control system, improving the governance structure and tiered authority delegation system, and specifying the direction and scope of the Company's risk control work, and authorize relevant management departments to exercise the executive power.

The Supervisory Committee focuses on mitigating the Company’s exposure to legal and compliance risks and financial oversight, including monitoring the performance of risk control duties of the Company’s directors, senior management and relevant responsible persons, safeguarding the Company’s assets, and minimizing financial and legal risks the Company faces in carrying out its business operations, so as to protect legal rights and interests of the Company and its shareholders.

Level 2：Risk Control Committee, Audit Committee and Managers

Risk Control Committee, Audit Committee and Managers are the second level of the Company’s risk control framework, and is responsible for preparing the comprehensive annual report on risk control;

reviewing risk control strategies and significant risk control solutions; reviewing judgment criteria for major decisions, significant risks, major events and key business processes and the risk evaluation report for major decision-making; reviewing risk control evaluation report submitted by the Risk Management Department; reviewing the organisational structure and roles and responsibilities for risk control, as well as other matters as delegated by the Board of Directors. The managers assume primary responsibility for overall risk management, formulate and adjust the Company's risk management system. Improve the Company's management structure, define the responsibility division of risk management functions, business departments and other departments; regularly assess the Company's risk and all important risk management status, resolve problems in risk management and report to the board of directors; establish a performance appraisal system covering the effectiveness of risk management; establish complete information technology system and data quality control mechanism.

Level 3：Compliance Management Department, Risk Management Department and Internal Audit Department

At the third level of the Company’s risk control framework is the collaborative comprehensive risk management arrangement through which the Compliance Management Department, Risk Management Department, Internal Audit Department and Legal Affairs Department work together to manage risks.

The Compliance Management Department assists the Chief Compliance Officer to formulate compliance policies and compliance rules and procedures, supports the implementation of compliance policies and procedures, provides recommendations and advice on compliance to the management, branch outlets and subsidiaries, and monitors compliance with laws and regulations in the Company’s business and management activities. It also drives business departments, branch outlets and subsidiaries to evaluate, develop, revise, update and improve their internal procedures and business processes to reflect changes in the laws, regulations and standards; conducts compliance pre-clearance on internal management rules and procedures, major decisions, new products, new business offerings and major business activities; reports to regulatory authorities on a regular and extraordinary basis, in addition to mitigating compliance risks to which the Company and its businesses are exposed to.

Risk Management Department carries out risk control activities in accordance with risk control objectives and policies laid down by the Board of Directors; provides recommendations to the Risk Management Committee for improving the Company’s risk control environment in terms of risk control policies, objectives, corporate governance structure and internal controls; formulates risk management rules and procedures for the Company, supports the review of risk management rules and procedures, measures, risk management processes and risk control indicators developed by each business and management departments, and continuously supplements, improves and updates risk control policies to help establish sound comprehensive corporate risk control mechanisms across the

Company; identifies, assesses, and monitors various risks in business operations and transactions, and leverages the results to improve the end- to-end risk response process that covers every components of risk control, including policies, identification, assessment and measurement, control, monitoring, reporting and analysis; regularly tests, monitors and evaluates the implementation of risk control rules and procedures across the Company, and when necessary, conducts regular and ad hoc inspections on risk control results, follows up on issues identified and launches reporting procedures where appropriate; and establishes communications and cooperation with respect to risk control with various business departments, branch outlets and subsidiaries.

Internal Audit Department has overall responsibility for the internal audit function, including organising comprehensive audits across the Company, monitoring the implementation of and compliance with internal control rules and procedures, minimizing ethical and policy risks and assisting the investigation of emergencies.

Level 4： Business departments branch outlets and subsidiaries

The fourth level of risk control is the front-line risk control systems by business departments branch outlets and subsidiaries, which are responsible for developing their own internal control system and risk control measures, ensuring proper risk control within their jurisdiction, and reporting risk issues in a timely manner to the Risk Management Department or Compliance Management Department.

The Company adopts the above risk management framework and continuously improves its risk control to ensure that the risks are measurable and controlled within acceptable limits.

2. Credit risk

Credit risk refers to the risk of counterparty’s failure or inability to meet its payment obligations, or the risk of loss due to declining credit rating. The Company’s credit risks mainly come from financial assets which include bank balances, clearing settlement funds, financial assets at fair value through other comprehensive income, financial assets held under resale agreements, financial assets at amortized costs, margin accounts receivable, entrusted loans, other current assets and refundable deposits.

The Company’s bank balances are mainly deposited with state-owned commercial banks or joint-stock commercial banks, while clearing settlement funds are deposited in the China Securities Depository and Clearing Corporation Limited, with a relatively low level of credit risk.

In terms of proprietary trading, if the transaction is through a stock exchange or China Securities Depository and Clearing Corporation Limited the default risk of counterparty is low, but for inter-bank market transactions, the Company will assess the counterparties and only select those with an accepted credit rating. The Company invests in debt securities with acceptable credit ratings and monitors the operations and credit ratings of the issuers.

Margin financing assets include advances to margin customers and securities lent to customers. Credit risks associated with these financial assets mainly relate to customers' inability to repay the principal, interest or securities borrowed. The Company supervises finance trading accounts on an individual customer basis, and would require additional margin, cash collateral or securities if necessary. Margin accounts receivables are monitored based on collateral rates to ensure that the value of collateral assets is sufficient to cover the advance. The collateral value of the Company's customers is sufficient to cover the credit risk of margin financing assets on 31 December, 2019 and 31 December, 2018.

The Company's credit risk also arises from the securities and futures brokerage business. If a customer fails to deposit sufficient trading funds, the Company may use their own funds to complete the settlement. The Company requires customers to deposit all cash required in trading before it settles on behalf of customers, so as to mitigate and manage the credit risk properly.

Part of the Company's debt investment projects through customer loans and entrusted loans. Credit risk management approaches over those loans and advances to customers include project initiation, due diligence, internal assessment, decision-making and post-lending monitoring. The Company assesses both the borrowers' credit risk and the rewards and sets risk mitigation measures such as guarantee. Loans and advances to customers are approved by the authorised approvers. The Company constantly monitors the entrusted funds. Key negative indications that may have impact on the borrowers' solvency are reported timely, and the Company takes action accordingly to control the risks.

The Company invests in wealth management products ,trust plan , asset management plan with proper approval process.

Control of credit risk from Stock pledged repurchase advances business is realized primarily through risk education for customers, credit investigation and verification on customers, credit management, risk assessment on collateralized (pledged) securities, reasonable setting of indication of defaulting customers, financing of customers with insufficient guaranteed securities and normal customers, the Company will perform the provision for impairment in accordance with prudential principles by complying with the accounting standards of China Accounting Standards for Business Enterprises 22.

Expected credit loss measurement

Since the first implementation of the new financial instrument standards on 1 January, 2018, For financial assets measured at amortized cost (including margin accounts receivable, financial assets held under resale agreements, financial instruments measured at amortized cost) and financial assets instruments at fair value through other comprehensive incom , The Company use general methods to measure its expected credit losses，models and assumptions are used in the measurement of expected credit losses. These models and assumptions relate to future macroeconomic conditions and customer credit behaviour (for example, the likelihood of customer default and associated losses).For the financial assets that use the general method to measure the expected credit loss, the Company USES the three-stage impairment model of the credit quality change after the initial recognition of the financial assets to measure the expected credit loss, specifically including:

- A financial instrument that is not credit-impaired on initial recognition is classified in “Stage 1”and has its credit risk continuously monitored by the Company;

- If SICR since initial recognition is identified, the financial instrument is moved to “Stage 2” but is not yet deemed to be credit-impaired;

- If the financial instrument is credit-impaired, the financial instrument is then moved to “Stage 3”.

Stage 1: The Company measures the loss allowance for a financial instrument at an amount equal to the next 12 months ECL; Stages 2 and 3: The Company measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL. Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition and the Company has measured the loss allowance for such a financial instrument at an amount equal to the lifetime ECL.

For such financial assets classified under Stages 1 and 2, management assesses credit loss allowances using the risk parameter modelling approach that incorporates key parameters, including probability of default (“PD”), loss given default (“LGD”) and exposure at default (“EAD”). For credit-impaired financial assets classified under Stage 3, management assesses the credit loss allowances by estimating the cash flows expected to arise from the financial assets after taking into consideration forward looking factors.

The measurement of ECL adopted by management according to China Accounting Standards for Business Enterprises, involves judgements, assumptions and estimations, including: Determination of the criteria for SICR; Selection of the appropriate models and assumptions; Establishment of the number and relative weightings of forward-looking scenarios for each type of product.

<u>Measuring ECL - parameter,, assumptions and estimation techniques</u>

The ECL are measured on either a 12-month the entire durationbasis depending on whether SICR has occurred since initial recognition or whether an asset is considered to be credit-impaired.

The Company takes full account of forward-looking information when measuring ECL. ECL is the result after discounting the product of PD, LGD and EAD that takes into account the forward-looking impact.

- PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. For margin loan financing, the Company determines the PD by borrower, based on factors including the coverage ratio of margin loans to underlying collateral value and, the volatility of such collateral's valuation. For debt securities investments, the external credit rating and related PD are taken into consideration.

- Loss Given Default (LGD) represents the Company's expectation of the extent of loss on a defaulted exposure. For margin loan financing, the Company determines LGD, based on factors including the realizable value of collateral upon forced liquidation taking into consideration the estimated volatility over the realization period. For debt securities investments, LGD is determined based on assessed publicly available information from credit rating agencies, and the type of securities.

- EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).

<u>The criteria of significant increase in credit risk</u>

The Company evaluates the financial instruments at each financial statement date after considering whether SICR has occurred since initial recognition. An ECL allowance for financial assets is recognized according to the stage of ECL, which reflects the reasonable information and evidence available about the SICR and is also forward-looking. The Company considers a financial instrument to have experienced SICR when one or more of the following quantitative, qualitative or backstop criteria have been met.

The Company considers margin financing to have experienced SICR if margin calls were triggered by a decrease of the ratio of margin loan to collateral below liquidation line.

A financial instrument is considered to have experienced SICR if the borrower or the debtor is overdue for more than 30 days after the contract payment date.

On 31 December, 2019 ,the Company has used the low credit risk exemption for financial instruments, such as cash and bank accounts, settlement reserve, refundable deposits and bond repurchase of financial assets held under resale agreements as having lower credit risk and no longer compared whether the credit risk on the balance sheet date increased significantly compared with that at the time of initial recognition.

Definition of credit-impaired assets

The Company considers whether a financial instrument is credit-impaired according to IFRS 9 based on criteria, which is consistent with the internal credit risk management practice. The consideration includes quantitative criteria and qualitative criteria. The Company defines a financial instrument as credit-impaired, which is fully aligned with the definition of in default, when it meets one or more of the following criteria:

- The borrower is more than 90 days past due on its contractual payments;

- For margin financing and stock pledge repurchase agreements, a forced liquidation of a client's position triggered when the collateral valuation falling short of the related loan amounts;

- The latest external ratings of issuers of debt securities or debt securities themselves are in default grade;

- The debtor is in significant financial difficulty;

- An active market for that financial asset has disappeared because of financial difficulties;

- Concessions have been made by the lender relating to the debtor's financial difficulty;

- It is becoming probable that the debtor will enter bankruptcy or other financial restructure.

When a financial asset is considered to be credit-impaired, it may be from multiple events, not due to a separately identifiable event.

Forward-looking information

The assessment of SICR and the calculation of ECL incorporate forward-looking information. The Company has analyzed historical data and identified the economic variable impacting credit risk and ECL for each financial instrument portfolio. The impact of the economic variable on the PD has been determined by performing historical statistical regression analysis to forecast the expected changes in the variable on default rates.

In addition to the base economic scenario, the Company also identifies other possible scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure non-linarites are captured. The number of scenarios and their attributes are reassessed at each financial statement date.

As at 31 December, 2018 and 31 December, 2019, for all portfolios the Company concluded that three scenarios appropriately captured non-linarites of economic variable. The scenario weightings are determined by a combination of statistical analysis and expert judgement, taking account of the range of possible outcomes each chosen scenario is representative of.

The assessment of SICR is performed using the Lifetime PD under each of the base, and the other scenarios, multiplied by the associated scenario weighting, along with qualitative and backstop indicators. The Company measures ECL as either a probability weighted 12 month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Company considers these forecasts to represent its best estimate of the possible outcomes.

Sensitivity analysis

The allowance for credit losses is sensitive to the inputs used in internally developed models, macroeconomic variable in the forward-looking forecasts, economic scenario weighting and other factors considered when applying expert judgment. Changes in these inputs, assumptions and judgments impact the assessment of SICR and the measurement of ECL.

At 31 December, 2019, the Company concluded for all portfolios that three scenarios are appropriate, being the optimistic scenario, base case scenario and pessimistic scenario. As at 31 December, 2019, the incremental impact of using the probability-weighted ECL against the base scenario was less than 5%.

Meanwhile, the Company also uses sensitivity analysis to monitor any SICR. At 31 December, 2019, assuming no SICR since initial recognition was identified, and all the financial assets in Stage 2 moved to Stage 1, the detrimental impact on ECL recognized in the consolidated financial statements would be less than 5%.

Collateral and other credit enhancements

The Company employed a range of policies and credit enhancements to mitigate credit risk exposure to an acceptable level. The most common of these is accepting collateral for funds advanced or guarantees. The Company determined the type and amount of collaterals according to the credit risk evaluation of counterparties. The collaterals under margin financing and reverse repurchase agreements are primarily stocks, debt securities, funds etc. Management will exercise margin calls according to related agreements based on the market value fluctuation of collaterals and monitor changes in the market value of collateral during the adequacy review of loss provision.

(1) Maximum credit risk exposure:

Expressed in RMB'0000

Item	31 December 2019	31 December 2018
Cash and bank balances	933,174.86	726,149.66
Clearing settlement funds	251,804.95	234,035.27
Margin accounts receivable	606,074.02	472,049.79
Derivative financial assets	1,138.41	6,298.56
Refundable deposits	39,516.97	28,271.14
Accounts receivable	15,391.23	9,324.25
Financial assets held under resale agreement	302,388.85	891,656.87
Financial asset at fair value through profit or loss	1,399,492.25	917,507.36
Financial instruments at amortized costs	67,638.99	69,389.40
Financial instruments at fair value through other comprehensive income	66,469.53	72,562.81
Other assets	141,676.95	141,778.63
Total	**3,824,767.01**	**3,569,023.74**

Credit quality

The credit quality of each financial asset item is as follows on 31 December, 2019:

Expressed in RMB'0000

Item	Stage 1	Stage 2	Stage 3	Total
Loans and entrusted loans	88,659.32		30,513.41	119,172.73
Margin accounts receivable	604,673.85		8,499.84	613,173.69
Financial assets at fair value through other comprehensive income	66,469.53			66,469.53
Financial instruments at amortized costs	20,223.86		61,527.04	81,750.90
Financial instruments held under resale agreement	200,961.49	15,000.00	126,776.27	342,737.76
Subtotal	**980,988.05**	**15,000.00**	**227,316.56**	**1,223,304.61**

Item	Stage 1	Stage 2	Stage 3	Total
Less: allowances for impairment losses	2,469.31	54.15	69,427.25	71,950.71
Total	**978,518.74**	**14,945.85**	**157,889.31**	**1,151,353.90**

3. Market risk

Market risk is the risk of loss arising from adverse change in fair value or movement in cash flows in respect of financial instruments, due to interest rate risk, currency risk or price risk.

The Company mainly holds the position belongs to the proprietary investment, therefore the stock and derivative price risk and the interest rate risk have a great impact on the investment business

(1) Interest rate risk

Interest rate risk is the risk that the financial condition or future cash flows of a Company will fluctuate because of changes in market interest rates.

The Company utilizes sensitivity analysis as the main tool for monitoring interest rate risk and measuring the impact of a reasonable and possible change of interest rate on its total profit and equity, assuming all other variables remain unchanged. Debt securities of the Company mainly comprise corporate bonds, and the Company mitigates the interest rate risk through optimizing the duration and convexity of its bond portfolio. Interest rate risk in connection with cash held for brokerage client in bank balances and clearing settlement funds is offset by the associated accounts payable to brokerage clients because their terms match with each other.

The table below presents the residual maturities of the Company’s financial assets and liabilities before their contractual re-pricing dates or their maturity dates (whichever are earlier):

Expressed in RMB’0000

Item	31 December 2019						
	Within 1 month	**1–3 months**	**3 months to 1 year**	**1–5 years**	**Above 5 years**	**Non-interest bearing**	**Total**
Cash and bank balances	925,150.04		7,000.00	1,000.00		24.82	933,174.86
Clearing settlement funds	251,804.95						251,804.95
Margin accounts receivable	28,289.12	145,001.72	432,783.18				606,074.02
Derivative financial assets						1,138.41	1,138.41
Refundable deposits						39,516.97	39,516.97
Accounts receivable						15,391.23	15,391.23
Financial assets	237,398.98	18,136.71	45,532.17	1,320.99			302,388.85

Item	**31 December 2019**						
	Within 1 month	**1–3 months**	**3 months to 1 year**	**1–5 years**	**Above 5 years**	**Non-interest bearing**	**Total**
held under resale agreement							
Financial asset at fair value through profit or loss	30,902.88	60,129.91	285,344.95	806,213.58	225,724.04	314,386.50	1,722,701.86
Financial assets at amortized costs	47,999.22	12,444.84	6,170.13	1,024.79			67,638.98
Financial assets at fair value through other comprehensive income			20,400.07	25,134.41	20,935.05		66,469.53
Other assets	29,462.24	10,008.15	59,991.70	7,824.10	1,516.39	20,391.26	129,193.84
Financial assets subtotal	**1,551,007.43**	**245,721.33**	**857,222.20**	**842,517.87**	**248,175.48**	**390,849.19**	**4,135,493.50**
Short-term loans	8,581.11	29,934.68	118,359.00				156,874.79
Short-term financing notes payable	18,781.88	13,384.63	413,378.20				445,544.71
Loans from other financial institutions	236,115.96						236,115.96
Financial liabilities at fair value through profit or loss	74,315.30			37,139.94			111,455.24
Financial assets sold under repurchase agreements	771,910.20	40,079.47	60,119.20				872,108.87
Accounts payable to brokerage clients	797,590.10					91,916.59	889,506.69
Derivative financial liabilities						8.37	8.37
Bond payable				462,394.04			462,394.04
Accounts payable						19,099.24	19,099.24
Long-term borrowings				1,320.30			1,320.30
Other liabilities						34,601.60	34,601.60
Financial liability subtotal	**1,907,294.55**	**83,398.78**	**591,856.40**	**500,854.28**		**145,625.80**	**3,229,029.81**
Interest rate sensitivity gap	**-356,287.12**	**162,322.55**	**265,365.80**	**341,663.59**	**248,175.48**	**245,223.39**	**661,240.30**

(continued)

Item	**31 December 2018**						
	Within 1 month	**1–3 months**	**3 months to 1 year**	**1–5 years**	**Above 5 years**	**Non-interest bearing**	**Total**
Cash and bank balances	726,149.66					26.62	726,176.28
Clearing settlement funds	234,035.27						234,035.27

Item	31 December 2018						
	Within 1 month	**1–3 months**	**3 months to 1 year**	**1–5 years**	**Above 5 years**	**Non-interest bearing**	**Total**
Margin accounts receivable	43,589.34	144,054.56	284,405.89				472,049.79
Derivative financial assets						6,298.56	6,298.56
Refundable deposits						28,271.14	28,271.14
Accounts receivable						9,324.25	9,324.25
Financial assets held under resale agreement	643,789.57	61,047.11	148,937.95	37,882.24			891,656.87
Financial asset at fair value through profit or loss	21,972.20	70,281.50	511,500.07	240,656.01	142,998.06	405,767.76	1,393,175.60
Financial assets at amortized costs	7,087.79		61,802.50	499.11			69,389.40
Financial assets at fair value through other comprehensive income	6,993.70		19,197.49	29,070.58	17,301.04		72,562.81
Other assets	11,212.92	10,554.99	75,097.52	27,506.88		17,406.32	141,778.63
Financial assets subtotal	**1,694,830.45**	**285,938.16**	**1,100,941.42**	**335,614.82**	**160,299.10**	**467,094.65**	**4,044,718.60**
Short-term loans	22,837.44	44,828.28	119,832.99				187,498.71
Short-term financing notes payable	27,457.11	11,652.20	428,313.57				467,422.88
Loans from other financial institutions	174,110.38		50,029.86				224,140.24
Financial liabilities at fair value through profit or loss	3,474.06			34,528.68			38,002.74
Financial assets sold under repurchase agreements	867,179.03			150,000.00			1,017,179.03
Accounts payable to brokerage clients	581,916.15					74,189.85	656,106.00
Bond payable				409,751.93			409,751.93
Accounts payable						32,319.63	32,319.63
Other liabilities						44,186.29	44,186.29
Financial liability subtotal	**1,676,974.17**	**56,480.48**	**598,176.42**	**594,280.61**		**150,695.77**	**3,076,607.45**
Interest rate sensitivity gap	**17,856.28**	**229,457.68**	**502,765.00**	**-258,665.79**	**160,299.10**	**316,398.88**	**651,712.27**

(2) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company's price risk exposure mainly relates to investments in equity securities, investment funds, convertible bonds, derivatives and collective asset management schemes whose values will fluctuate as a result of changes in market prices. These investments are all investments in the domestic capital markets. The Company is subject to relatively high market risk due to the high volatility of the domestic stock markets.

The Company's price risk management policy requires setting and managing investment objectives. The directors of the Company manages price risk by holding an appropriately diversified investment portfolio, setting limits for investments in different securities and closely monitoring the portfolio of investments to reduce the risk of concentration in any one specific industry or issuer. The Company uses derivatives contracts to economically hedge against certain exposures arising from its investment portfolio.

The analysis below shows the impact on profit before income tax and other comprehensive income before income tax due to change in the prices of stocks, bonds, funds, convertible bonds, derivatives and collective asset management schemes by 10%, assuming all other variables remain unchanged. A positive result indicates an increase in profit before income tax and other comprehensive income before income tax, while a negative result indicates otherwise.

Expressed in RMB'0000

Item	31 December 2019		31 December 2018	
	Profit before income tax	**Other comprehensive income before income tax**	**Profit before income tax**	**Other comprehensive income before income tax**
Increase by 10%	25,576.09	-25,576.09	38,606.59	7,256.28
Decrease by 10%	6,470.86	-6,470.86	-38,606.59	-7,256.28

(3) Currency risk

Exchange rate fluctuations will bring exchange risk to the Company. The Company's foreign currency asset conversion ratio to the total assets is 4.68%, and the foreign currency liability conversion ratio to the total liabilities is 5.05%. Due to the low proportion of foreign currency in the Company's assets and liabilities and income structure, the exchange rate risk has little impact on the Company's current operation as of 31 December, 2019.

4. Liquidity risk

Liquidity risk refers to the risk that the Company cannot obtain sufficient funds in time at a reasonable cost to meet the maturing debts, fulfill other payment obligations and meet the capital needs of normal business. The Company manages and controls their funds in a centralized manner. Through early warnings and focusing on individually large amounts of funds, the Company achieves the objective of centralized control and management of liquidity risk. By striking an appropriate balance between safety, liquidity and profitability, the Company adjusts and allocates asset sizes and structural provisions, so as to establish a multi-level liquidity reserve system and achieve liquidity risk management objectives by leveraging money market and capital market transactions in a timely manner.

The tables below present the cash flows payable by the Company for non-derivative financial liabilities by remaining contractual maturities as at 31 December, 2019 and 31 December, 2018. The amounts disclosed in the tables are the contractual undiscounted cash flows, including both interest and principal cash flows.

The financial liabilities held by the Company are analyzed based on the undiscounted remaining contractual obligations due period as follows:

Expressed in RMB’0000

Non-derivative financial liabilities	31 December 2019							
	On demand	**Within 1 month**	**1–3 months**	**3 months to 1 year**	**1–5 years**	**Above 5 years**	**Undated**	**Total**
Short-term loans		8,589.55	30,155.62	125,482.52				164,227.69
Short-term financing notes payable		6,119.56	6,312.71	452,474.33				464,906.60
Loans from other financial institutions		236,138.37						236,138.37
Financial liabilities at fair value through profit or loss		74,315.30			37,139.94			111,455.24
Financial assets sold under repurchase agreements		771,908.44	40,265.10	62,958.90				875,132.44
Accounts payable to brokerage clients	91,916.59	797,590.10						889,506.69
Bond payable					483,770.00			483,770.00
Accounts payable							19,099.24	19,099.24
Long-term borrowings					1,471.34			1,471.34
Other liabilities							34,601.60	34,601.60
Total	**91,916.59**	**1,894,661.32**	**76,733.43**	**640,915.75**	**522,381.28**		**53,700.84**	**3,280,309.21**

(continued)

Non-derivative financial liabilities	31 December 2018							
	On Demand	**Within 1 month**	**1–3 months**	**3 months to 1 year**	**1–5 years**	**Above 5 years**	**Undated**	**Total**
Short-term loans		22,773.69	45,205.41	123,371.69				191,350.79
Short-term financing notes payable		27,344.83	11,790.97	434,757.09				473,892.89
Loans from other financial institutions		174,127.47		51,086.94				225,214.41
Financial liabilities at fair value through profit or loss		3,474.06			34,528.68			38,002.74
Financial assets sold under repurchase agreements		867,326.60			163,309.06			1,030,635.66
Accounts payable to brokerage clients	74,189.85	581,916.15						656,106.00
Bond payable				21,585.00	429,955.00			451,540.00
Accounts payable							32,319.63	32,319.63
Other liabilities							44,186.29	44,186.29
Total	**74,189.85**	**1,676,962.80**	**56,996.38**	**630,800.72**	**627,792.74**		**76,505.92**	**3,143,248.41**

5. Operational risk

Operational risk is the risk of loss to the Company due to the imperfection or failure of personnel, internal procedures and systems, as well as the impact of external events.

The Company emphasizes the matching of business scale, profit and risk management ability, and does not sacrifice the control of operational risk for the pursuit of profit. The Company emphasizes to carry out the business of various securities companies under the premise of sound control of operational risks. In the case of cost permitting, the Company will continue to strengthen the operational risk management system and implement the internal control system.Through strengthening the internal control mechanism, the operation risk under the given business income is minimized.

During the reporting period, the Company strengthened the construction of rules and regulations and business processes, sorted out the important business links and institutional framework, and improved and revised the aspects of business processes that did not meet the management needs and operational requirements. The Company's audit department cooperated with the Compliance Management Department and the Risk Management Department to strengthen the supervision and inspection of various businesses to effectively avoid operational risks caused by non-standard or non-standard operations or the lack of coordination mechanism between departments. During the reporting period, no significant operational risk events occurred in the Company.

6. Compliance risk

Compliance risk is the risk of legal sanctions, regulatory measures, property loss or reputation loss caused by the violation of laws, regulations or standards by the Company or its staff due to their business management or practice. In serious cases, the Company may lose one or more business qualifications.

In order to handle with compliance risks, the Company has established the organizational structure and system of compliance management, carried out compliance management work in an orderly manner, and effectively controlled compliance risks mainly by means of compliance inspection, consultation and review, compliance monitoring, compliance supervision, and compliance training. The anti-money laundering work has been carried out in an orderly manner, through the establishment of a more complete multi-level anti-money laundering organization system; In order to ensure the smooth development of various businesses, prevent insider trading and management conflicts of interest, the Company has established a relatively complete information barrier management system. No significant compliance risk occurred during the reporting period.

7. Capital management

The Company’s objectives of capital management are:

- To safeguard the Company’s ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;

- To support the Company’s stability and growth;

- To maintain a strong capital base to support the development of their business;

- To comply with the capital requirements under the PRC regulations.

In accordance with Administrative Measures for Risk Control Indicators of Securities Companies (Revision 2016) issued by the the China Securities Regulatory Commission and effective 1 October, 2016, the Company is required to meet the following standards for risk control indicators on a continual basis:

- The risk coverage ratio shall be no less than 100%;

- The capital leverage ratio shall be no less than 8%;

- The liquidity coverage ratio shall be no less than 100%;

- The net stable funding ratio shall be no less than 100%.

XI. Fair value of financial assets and liabilities

1. The amount of assets and liabilities measured at fair value and the level of fair value measurement

The table below analyses financial instruments measured at fair value at the end of each reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorized. The level of fair value measurement results depends on the input value of the lowest level of significance for the fair value measurement as a whole. The three levels of input values are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Company’s financial assets and liabilities that are measured at fair value as at the balance sheet date.

Item	Fair value at 31 December 2019			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	4,726,430,172.73	11,291,377,647.26	1,209,210,826.77	17,227,018,646.76
（1）Bond investment	4,309,028,233.68	9,080,536,711.40	420,701,220.37	13,810,266,165.45
（2）Equity investment	388,094,475.20	364,671,492.30	695,610,206.47	1,448,376,173.97
（3）Public funds	29,307,463.85	763,171,485.72		792,478,949.57
（4）Others		1,082,997,957.84	92,899,399.93	1,175,897,357.77
Financial instruments at fair value through other comprehensive income	358,934,217.57	305,761,128.91		664,695,346.48
Derivative financial assets	53,190.00	65,075.00	11,265,850.93	11,384,115.93
Total	**5,085,417,580.30**	**11,597,203,851.17**	**1,220,476,677.70**	**17,903,098,109.17**
Financial liabilities as at fair value through profit or loss	714,792,262.30		399,760,116.86	1,114,552,379.16
Derivative financial liabilities	39,420.00		44,320.00	83,740.00
Total	**714,831,682.30**		**399,804,436.86**	**1,114,636,119.16**

(continued)

Item	**Fair value at 31 December 2018**			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss	2,933,022,915.25	9,283,174,989.77	1,715,558,066.26	13,931,755,971.28
（1）Bond investment	2,203,443,106.80	6,146,855,573.68	491,989,946.92	8,842,288,627.40
（2）Equity investment	707,022,347.71	384,887,454.18	667,072,537.50	1,758,982,339.39
（3）Public funds	22,557,460.74	1,439,260,857.48	8,909,969.20	1,470,728,287.42
（4）Others		1,312,171,104.43	547,585,612.64	1,859,756,717.07
Financial assets at fair value through other comprehensive income	396,913,337.54	328,714,757.81		725,628,095.35
Derivative financial assets			62,985,609.15	62,985,609.15
Total	**3,329,936,252.79**	**9,611,889,747.58**	**1,778,543,675.41**	**14,720,369,675.78**
Financial liabilities as at fair value through profit or loss			380,027,422.26	380,027,422.26
Total			**380,027,422.26**	**380,027,422.26**

2. Financial instruments in Level 1

3. The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the closing price within bid-ask spread. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily listed ass Financial assets at fair value through profit or loss , Financial instruments at fair value through other comprehensive income ecurities traded on the Shanghai Stock Exchange and Shenzhen Stock Exchange.Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

4. Financial instruments in Level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. For non-listed equity investment, bond investment, trust products and financial liabilities, the Company USES valuation techniques to determine its fair value, including discounted cash flow method and market comparison method. The measurement of its fair value adopts important non-observable parameters, such as liquidity discount, volatility and market multiplier. The fair value of unlisted equity investments, bond investments, other investments and financial liabilities is not significantly sensitive to reasonable changes in these non-observable inputs.

The Company has not changed the valuation techniques used in the above-mentioned continuous third level fair value measurement in 2019.

5. The changes in Level 3 instruments

Item	**1 January 2019**	**Increase**	**Decrease**	**31 December 2019**
Financial assets at fair value through profit or loss	1,715,558,066.26		506,347,239.49	1,209,210,826.77
Financial liabilities as at fair value through profit or loss	380,027,422.26	19,732,694.60		399,760,116.86
Derivative financial assets	62,985,609.15		51,719,758.22	11,265,850.93
Derivative financial liabilities		44,320.00		44,320.00

(continued)

Item	**1 January 2018**	**Increase**	**Decrease**	**31 December 2018**
Financial assets at fair value through profit or loss	1,326,664,149.57	726,888,297.40	337,994,380.71	1,715,558,066.26
Financial liabilities as at fair value through profit or loss	361,418,056.90		-18,609,365.36	380,027,422.26
Derivative financial assets	59,937,640.59	3,047,968.56		62,985,609.15

For financial instruments in Level 3, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable inputs to the overall fair value measurement. The following table presents the related valuation techniques and inputs of the major financial instruments in Level 3.

Financial instruments	**Fair value hierarchy**	**Valuation technique(s) and key input(s)**	**Significant unobservable input(s)**	**Relationship of unobservable input(s) to fair value**
Financial assets at fair value through profit or loss				
- Bank financial products -Asset management schemes	Level 3	- Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level	- Expected future cash flows; - Expected recovery date; - Discount rates that correspond to the expected risk level	- The higher the future cash flows, the higher the fair value; - The earlier the maturity date, the higher the fair value; - The lower the discount rate, the higher the fair value
- The trust plan	Level 3	- Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level	- Expected future cash flows; - Expected recovery date; - Discount rates that correspond to the expected risk level	- The higher the future cash flows, the higher the fair value; - The earlier the maturity date, the higher the fair value; - The lower the discount rate, the higher the fair value
- Private convertible bonds	Level 3	- Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level; - Option pricing model	- Expected future cash flows; - Expected recovery date; - Discount rates that correspond to the expected risk level; - Stock price volatility	- The higher the future cash flows, the higher the fair value; - The earlier the maturity date, the higher the fair value; - The lower the discount rate, the higher the fair value; - The higher the stock price volatility, the higher the fair value
- Unlisted equity	Level 3	- Using comparable company method by selecting comparable companies in the same industry as the target company's important financial indicators; consider liquidity discount, estimate the expected exit date of	- Expected recovery date; - Stock price volatility	- The earlier recovery date is expected, the higher fair value is valuated; - The higher stock price volatility is displayed, the higher fair value is valuated

Financial instruments	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
		equity, calculate the volatility of comparable companies, adopt the option model, calculate the liquidity discount of comparable companies.		
- Financial liabilities as at fair value through profit or loss	Level 3	- Discounted cash flows with future cash flows that are estimated based on expected payable amounts, discounted at rates that reflect management's best estimation of the expected risk level	- Expected future cash flows; - Expected recovery date; - Discount rates that correspond to the expected risk level	- The higher the future cash flows, the higher the fair value; - The earlier the payment date, the higher the fair value; - The lower the discount rate, the higher the fair value
- Derivative Financial Instruments	Level 3	- The Option Pricing Model is used for valuation. The main input parameter is the volatility of the target instrument.	- Target instrument volatility	- The higher the volatility of the instrument, the higher the fair value

XII. Contingencies

As at 31 December 2019, management of the Company believes that the Company was not involved in any material legal, or arbitration proceedings that if adversely determined, would have material impact on its financial position or results of operations of the Company.

XIII. Commitments

1.Capital commitments

The Company has entered into a contract but has not confirmed the capital commitment in the financial statements as follows:

Item	**31 December 2019**	**31 December 2018**
Contracted but not paid for	48,798,003.04	50,482,109.82
Total	**48,798,003.04**	**50,482,109.82**

XIV.Events after the balance sheet date

1. Change of the controlling shareholder's organization to perform investor's responsibilities

On 30 September, 2019, the People's Government of Henan Province issued the "Response of People's Government of Henan Province on Changing Henan Investment Group Co., Ltd. to Perform the Responsibilities of Investors" (Yu Zhengwen [2019] No. 128), authorizing the Department of Finance of Henan Province to perform the responsibilities of the investor, Development and Reform Commission of Henan Province no longer performs such duties. The CSRC exempts all other specific obligations from the Department of Finance of Henan Province for the transfer of all equity interest of Henan Investment Group. On 10 January, 2020, Henan Investment Group Co., Ltd., the controlling shareholder of the Company, has completed the registration procedures for industrial and commercial changes, and the ultimate controlling party of the Company is changed from Development and Reform Commission of Henan Province to Department of Finance of Henan Province.

2. Non-public issuance of corporate bonds and subordinated corporate bonds

On 24 March, 2020, the Company received the "No Objection Letter about the Listing Transfer of Corporate Bonds Non-publicly Issued by Central China Securities Co., Ltd." (Shang Zheng Han [2020] No. 543) and the "No Objection Letter about the Listing Transfer of Subordinated Corporate Bonds Non-publicly Issued by Central China Securities Co., Ltd." (Shang Zheng Han [2020] No. 544). According to the above no-objection letters, the Company meets the transfer conditions of corporate bonds and subordinated bonds listed on the Shanghai Stock Exchange, and the Company will issue corporate bonds and subordinate corporate bonds non-publicly.

3. Non-public issuance of new shares

On 15 October, 2019, the Company submitted an application to China securities regulatory commission for the non-public Issuance. This is still subject to final approval from the China securities regulatory commission.

4. Evaluation of the impact of “COVID-19 outbreak”

After the outbreak of Coronavirus Disease 2019 (“COVID-19 outbreak”) in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country/ region. The Company pays close attention to the development of the COVID-19 outbreak, evaluates and actively responses to its impact on the financial position and operating results of the Company. As at the date on which this set of financial statements were authorised for issue, the Company was not aware of any material adverse effects on the financial statements as a result of the COVID-19 outbreak.

5. Explanation of divided

On 22 April, 2020, considering that cash dividends have been distributed in the first half of 2019, in order to maintain the Company's sustainable development capacity, the Company has a large demand for funds for various business development in 2020. The Board of Directors of the Company decided not to make profit distribution ,also do not carry on capital reserve to increase capital for the second half of 2019. The resolution is still subject to approval by the shareholders’ meeting.

XV. Information about segments

According to different business types, the Company's reporting divisions are mainly divided into: brokerage trading, proprietary trading, investment banking, investment management business, overseas business, and headquarters and others.

1. Segment information of 2019 (by business)

Item	Brokerage trading	Proprietary trading	Investment banking	Investment management business	Overseas business	Headquarters and others	Offset	Total
1. Operating revenue	1,392,354,552.04	421,432,656.16	209,290,091.07	197,985,551.45	-178,182,709.56	431,971,153.91	-102,324,303.82	2,372,526,991.25
Net fee and commission income	618,856,334.94		210,079,063.64	55,135,663.41	38,643,784.42	39,341,701.93	-928,110.73	961,128,437.61
Investment income (or less: losses)	19,278,753.00	674,380,721.75		154,417,172.07	75,908,056.61	105,570,596.16	-99,643,688.11	929,911,611.48
Gains on changes in fair value(or less: losses)	-1,297,129.79	111,462,609.94		-29,266,235.01	-245,520,216.02	-596,941.10		-165,217,911.98
Gains on foreign exchange (or less: losses)	33,227.55				-2,441,907.83	-2,380.20		-2,411,060.48
Other operating income	584,913,654.09	2,108,560.34	200,000.00	-1,035.63	511,754.35	34,171,072.72	-1,285,714.29	620,618,291.58
Net interest income	170,569,712.25	-366,519,235.87	-988,972.57	17,699,986.61	-45,284,181.09	253,487,104.40	-466,790.69	28,497,623.04
2. Operating cost	1,209,297,412.90	126,551,719.29	201,094,297.03	33,286,524.11	153,424,262.44	538,961,408.47	-3,823,884.47	2,258,791,739.77
3. Operating profit	183,057,139.14	294,880,936.87	8,195,794.04	164,699,027.34	-331,606,972.00	-106,990,254.56	-98,500,419.35	113,735,251.48
4.Total Asset	10,817,281,867.62	11,149,522,360.88	68,254,800.69	4,028,985,756.72	2,038,758,965.56	21,350,889,416.67	-5,883,790,752.37	43,569,902,415.77
5.Total liabilities	10,122,502,989.00	11,129,842,358.89	75,613,306.88	294,530,807.55	1,668,845,581.88	10,254,277,349.26	-473,496,431.46	33,072,115,962.00
6. Supplementary information								
(1)Depreciation and amortisation	60,364,069.12	13,063,617.24	9,447,479.55	1,193,107.73	6,581,505.16	44,087,707.71	-1,222,148.14	133,515,338.37
(2) Capital expenditure	23,820,826.95	8,939,328.35	2,358,923.19	400,757.36	715,541.40	68,932,372.16		105,167,749.41

XVI. Other significant events

1. Social responsibility expenses

Item	2019	2018
Charitable donations	6,067,504.00	34,446.70
Total	**6,067,504.00**	**34,446.70**

2. Margin business

The Company's margin business scale is as follows, On 31 December, 2019 and 31 December, 2018:

Item	31 December 2019	31 December 2018
Margin accounts receivable	6,131,736,886.67	4,800,792,716.38
Financing securities business	5,410,131.09	1,978,068.60
Total	**6,137,147,017.76**	**4,802,770,784.98**

3. Securities lending

The types and fair values of the bonds the Company borrows on the trading platforms of the inter-bank and exchange bond markets are listed below:

Item	Fair value at 31 December 2019	Fair value at 31 December 2018
Treasury bonds	493,954,800.00	
Policy-based financial debt	869,154,000.00	
Local government debt	530,733,960.00	516,800,455.00
Total	**1,893,842,760.00**	**516,800,455.00**

The fair value of the bonds pledged for the sale of repo business in the bonds obtained by the Company through inter-bank and exchange market borrowing was RMB 170,843,600 on 31 December 2019.

Item	Fair value at 31 December 2019	Fair value at 31 December 2018
Treasury bonds	493,954,800.00	
Policy-based financial debt	869,154,000.00	
Local government debt	530,733,960.00	516,800,455.00
Total	**1,893,842,760.00**	**516,800,455.00**

4. Security of customer funds

As of 31 December, 2019, the Company has the customer trading settlement funds deposited in the depository qualified commercial Banks, in conformity with the "measures for the management of customers' transaction settlement funds" (China Securities Regulatory Commission (No.3) and customer trading settlement funds such as third-party depository regulations about the safety of customers' transaction settlement funds, guarantee the safety of client funds, there is no misappropriation of client money problems.

XVII. Notes to items of financial statements of the Company

1. Long-term equity investment

(1) By categories

Item	31 December 2019			31 December 2018		
	Book balance	**Provision for impairment**	**Book value**	**Book balance**	**Provision for impairment**	**Book value**
Investment in subsidiaries	4,126,432,553.95		4,126,432,553.95	4,231,899,961.01		4,231,899,961.01
Investment in associates				9,119,698.57		9,119,698.57
Total	**4,126,432,553.95**		**4,126,432,553.95**	**4,241,019,659.58**		**4,241,019,659.58**

(2) Investment in subsidiaries

Investee	31 December 2018	Increase	Decrease	31 December 2019	Provision for impairment in 2019	Closing balance of provision for impairment
Central China Futures Co.,Ltd.	188,061,592.08			188,061,592.08		
Zhongding Kaiyuan Venture Capital Management Co.,Ltd.	922,022,368.93		221,491,407.06	700,530,961.87		
Central China International Financial Holdings Company Limited	643,316,000.00	216,024,000.00		859,340,000.00		
Central China Blue Ocean Investment Management Company Limited	2,356,000,000.00		100,000,000.00	2,256,000,000.00		
Central China Equity Exchange Co.,Ltd	122,500,000.00			122,500,000.00		
Total	**4,231,899,961.01**	**216,024,000.00**	**321,491,407.06**	**4,126,432,553.95**		

(3) Investment in associates

Investee	Opening book value	Increase/Decrease								Closing book value	Provision for impairment at the end of year
		Additional investment	Reducing investment	Investment gains and losses recognized by equity method	Adjustment of Other other comprehensive income	Changes in other interests	Declare paying cash dividends or profits	Provision for impairment	others		
Taiping Funds Management Co.,Ltd.	9,119,698.57		8,346,147.45	-773,551.12							
Total	**9,119,698.57**		**8,346,147.45**	**-773,551.12**							

2. Net interest income

Item	2019	2018
Interest income	**798,742,726.64**	**1,052,663,654.68**
Include: interest income from Cash and Clearing settlement funds	185,486,711.01	154,080,166.74
interest income from margin trading	366,479,244.07	377,209,422.35
interest income from Financial assets held under resale agreement	193,806,451.27	509,549,669.37
Include：interest income from Agreed repurchase	1,357,301.47	2,223,814.05
interest income from Stock pledge repurchase	90,493,451.12	233,621,723.70
interest income from Financial instruments at fair value through other comprehensive income	43,479,859.02	11,801,062.90
others	9,490,461.27	23,333.32
Interest expense	**857,789,074.23**	**956,474,727.67**
Include: Short-term financing notes expense	23,261,913.30	31,127,664.56
Loans from other financial institutions expense	69,320,167.80	86,268,982.98
Include: refinancing interest expense	21,440,277.79	34,213,611.11
Financial assets held under resale agreement interest expense	316,813,543.22	367,943,992.33
Include:Interest expense for quote repurchase		
Accounts payable to brokerage clients interest expense	30,923,572.43	26,823,071.93
Bond payable interest expense	390,376,765.11	439,140,189.39
Include：subordinated debt expense	257,700,161.29	335,947,667.20
Others	27,093,112.37	5,170,826.48
Net interest income	**-59,046,347.59**	**96,188,927.01**

3. Net fee and commission income

(1) Details

Item	2019	2018
Securities brokerage services net income	469,501,628.70	369,215,343.74
——Securities brokerage services income	610,656,750.79	475,548,246.30
——Dealing in securities	595,698,795.78	460,315,721.08
Lease of trade seat	594,228.47	5,225,666.31
Consignment of financial products business	13,535,896.80	8,887,856.24
——securities brokerage services expense	141,155,122.09	106,332,902.56
——Dealing in securities	140,998,312.09	106,046,934.88
Consignment of financial products business	35,293.17	2,254.25
Investment bank business net income	228,560,194.77	100,737,879.35
——Investment bank business income	235,276,295.26	110,686,189.42
——Securities underwriting business	111,819,439.66	34,387,169.82
Securities sponsor business	19,273,584.90	1,886,792.45
Financial advisory business	104,183,270.70	74,412,227.15

Item	2019	2018
——Investment bank business business	6,716,100.49	9,948,310.07
——Securities underwriting business	4,402,514.95	6,177,045.18
Securities sponsor business	1,217,735.85	24,000.00
Financial advisory business	1,095,849.69	3,747,264.89
Assets financial business net income	45,206,688.55	69,845,551.88
——Assets financial business income	45,235,815.39	69,859,343.42
——Assets financial business expense	29,126.84	13,791.54
Investment advisory business net income	63,279,453.44	51,686,930.62
——Investment advisory business income	63,279,453.44	51,686,930.62
Net other fee and commission net income	9,392,120.90	1,603,377.90
——Other fee and commission income	9,392,120.90	1,603,377.90
——Other fee and commission expense		
Total	**815,940,086.36**	**593,089,083.49**
Include: total fee and commission income	**963,840,435.78**	**709,384,087.66**
Total fee and commission expense	**147,900,349.42**	**116,295,004.17**

4. Investment income

(1)By categories

Item	2019	2018
Long-term equity investment income calculated by cost method	50,916,260.74	8,473,905.00
Long-term equity investment income calculated by equity method	-773,551.12	-4,067,908.55
Depose financial instrument income	50,208,022.72	
Financial instrument investment income	677,197,882.16	252,051,714.07
Include: Proceeds generated during holding period	591,084,144.95	432,667,927.45
Include: financial assets measured at their fair values through profit or loss	619,398,023.32	435,292,831.57
financial liabilities measured at their fair values through profit or loss	-28,313,878.37	-2,624,904.12
Depose financial instrument income	86,113,737.21	-180,616,213.38
Include: financial assets measured at their fair values through profit or loss	94,019,111.42	-167,424,358.86
financial assets at fair value through other comprehensive income	11,813,248.18	
derivative financial instruments	-36,519,587.10	-13,267,749.52
financial liabilities measured at their fair values through profit or loss	16,800,964.71	75,895.00
Total	**777,548,614.50**	**256,457,710.52**

(2) Financial instruments measured at their fair values through profit or loss

Financial instruments measured at their fair values through profit or loss		**2019**
Classified into financial assets measured at their fair values through profit or loss	Holding period income	619,398,023.32
	Deposal income	94,019,111.42
Designated as financial assets measured at their fair values through profit or loss	Holding period income	
	Deposal income	
Classified into financial liabilities measured at their fair values through profit or loss	Holding period income	-28,313,878.37
	Deposal income	16,800,964.71
Designated as financial liabilities measured at their fair values through profit or loss	Holding period income	

5. Business and administrative expenses

Item	**2019**	**2018**
Employee benefits	767,981,116.23	523,071,103.80
Rental expense	17,234,709.42	48,702,292.01
Depreciation of fixed assets expense	30,866,625.34	30,577,955.58
Right-of-use asset depreciation	47,809,302.90	
Securities investors protection funds	9,084,179.20	26,824,297.54
Amortization of intangible assets	26,470,814.92	25,284,957.95
Electronic equipment operation fee	25,833,521.72	20,423,137.03
Consulting fees	24,114,229.92	20,230,158.89
Mailing expenses	14,572,609.49	14,715,976.96
Traveling expenses	17,063,080.98	14,195,653.28
Public expense	11,014,351.78	9,582,337.51
Others	104,860,259.78	79,127,626.83
Total	**1,096,904,801.68**	**812,735,497.38**

6. Supplementary information on the Company cash flow statement

Item	2019	2018
1.Adjust net profit to cash flow from operating activities		
Net income	321,145,590.87	-57,666,975.34
Add：Impairment allowance of assets	186,153,701.24	211,400,525.40
Depreciation of investment Equity and fixed assets	31,984,431.58	31,765,440.54
Right-of-use asset depreciation	47,809,302.90	
Amortization amount of intangible assets	26,470,814.92	25,284,957.95
Amortization of long-term deferred expenses	10,800,094.92	9,312,506.23
Fixed assets, intangible assets and other long-term assets disposal (or revenue: “-”）	-22,677,113.06	
Changes in fair value gains and losses (or revenue: “-”)	-112,081,401.33	45,707,113.00
Interest expense	436,401,361.05	470,267,853.95
Exchange losses (or revenue: “-”)	-30,847.35	-499,150.74
Investment losses (or revenue: “-”)	-106,209,367.94	-16,207,059.35
Decrease in deferred income tax assets(or increase:“-”)	-25,699,396.12	-53,976,226.42
Increase in deferred income tax liabilities(or decrease:“-”)	2,149,540.21	-1,270,738.78
Decrease of operating receivables (or increase:“-”)	1,142,579,703.69	-1,599,927,980.61
Increase of operating receivables (or decrease “-”)	-241,474,877.86	2,640,453,634.15
Net cash flow from operating activities	1,697,321,537.72	1,704,643,899.98
2. No cash flow from investment and financing activities		
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Financing leased of fixed assets		
3. Net increase/(decrease) in cash and cash equivalents		
Closing balance of cash	9,849,533,204.97	8,227,607,657.53
Less：Opening balance of cash	8,227,607,657.53	8,789,188,761.22
Add: Closing balance of cash equivalent		
Less:Opening balance of cash equivalent		
Net increase of cash equivalent and cash	1,621,925,547.44	-561,581,103.69

XVIII. Financial report approval

This financial report was approved by the board of directors of the Company on 22 April, 2020.

Supplementary information to the financial statements

1.Non-recurring income statement

According to the requirements of "Explanatory Notice on Company Information Disclosure for Public Issuance of Securities No. 1 - Non-Recurring Gains and Losses (2008)" issued by the China Securities Regulatory Commission, the Company's non-recurring gains and losses are as follows:

Item	2019	2018
Gains and losses on disposal of non-current assets	23,826,434.25	-734,884.34
Government subsidies included in current profits and losses	17,715,676.78	26,704,367.53
Non-operating income and expenses in addition to the above items	-5,966,282.11	-1,870,552.00
Subtotal	**35,575,828.92**	**24,098,931.19**
Less: income tax impact amount	8,893,957.23	5,840,851.76
Minority shareholder equity impact	-12,382,896.33	714,314.86
Non-recurrent net profit and loss attributable to parent shareholders	**39,064,768.02**	**17,543,764.57**

2. Return on equity and earnings per share

According to the requirements of the China Securities Regulatory Commission's rule No. 9 on the Compilation of Information Disclosure of Companies for Public Issuance of Securities -- calculation and disclosure of return on equity and earnings per share (revised in 2010), the Company's weighted average return on equity and earnings per share in 2019 are as follows:

Reporting period profit	**Weighted average return on equity**	**Earnings per share**	
		Underlying earnings per share	**Diluted earnings per share**
Net profit attributable to shareholders of thecompany	0.59%	0.02	0.02
Net profit attributable to shareholders of the Company after deduction of non-recurring gains and losses	0.19%	0.005	0.005

3. Accounting data differences under domestic and foreign accounting standards

The difference between net profit and net assets in the financial statements disclosed in accordance with International Accounting Standards and Chinese Accounting Standards.

Expressed in RMB’0000

Item	**Net profit**		**Net assets**	
	2019	**2018**	**31 December 2019**	**31 December 2018**
According to International Financial Reporting Standards	7,508.29	9,585.75	1,049,778.65	1,127,503.97
According to Chinese Accounting Standards	7,508.29	9,585.75	1,049,778.65	1,127,503.97
Difference				

Central China Securities Co., Ltd.

22 April, 2020

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